NEWS IN BRIEF

Suits against SGC's LBO combined

WOODBRIDGE, N.J. — Nine separate shareholder lawsuits meant to block the leveraged buyout of Supermarkets General have been consolidated in Delaware Chancery Court. The LBO group, which includes company management and Merrill Lynch Capital Partners, said the suits are baseless, according to reports.

Analysts have told *Drug Store News* the SGC management group would have to assume so much debt that it would threaten store growth and maintenance spending programs and its Pathmark division's role as a price leader.

Dominick's quietly folds its Jerry's

CHICAGO — Dominick's Finer Foods' yearlong venture into deep-discount drug retailing officially ended last month, with the closing of its three Chicago-area Jerry's.

The units were closed with little fanfare in April, two months after the supermarket and combo store operator announced its intention to get out of the off-price drug store business in order to concentrate on other ventures, including its new Omni Superstores division.

Prescription files for two of the three units, in Chicago and Franklin Park, were transferred to nearby Dominick's combo stores. Prescription business from the third Jerry's store, in the near-north suburb of Lincolnwood, was sold to a nearby Venture discount store with its own pharmacy.

Thrift names Sigerstad vp-marketing

PITTSBURGH — Thomas Sigerstad, Thrift Drug's manager of advertising, has been named vp-marketing, in the wake of the appointment of Robert Hannan as president. Hannan is replacing retiring president James Armor.

Sigerstad will now be responsible for the departments of advertising, merchandise presentation and store installation in the newly created position. He will report to Anthony Civello, who at the time of Hannan's appointment was named to the new post of executive vp in a three-man Office of the President.

Bruce Columbus, who had been assistant ad manager, will replace Sigerstad as manager of advertising, the position Sigerstad had held since 1980.

In another appointment, Thrift announced that Janice L. Meikle has been named vp for prescription and DME programs. She had been manager of pharmacy systems.

Fay's new cfo familiar with chain

LIVERPOOL, N.Y. — Daniel J. O'Leary, the Touche Ross & Co. accountant whom Fay's has named as its new cfo, was the supervising partner on Fay's independent year-end audit when he was director of audit operations in the accounting firm's Rochester, N.Y., office.

"Mr. O'Leary will be a valuable addition to the Fay's management team," said Fay's chairman Henry Panasci. "His experience of providing a broad spectrum of professional accounting and financial services should benefit the overall operations of the company.

O'Leary was most recently partner-in-charge of the Touche Ross Columbus, Ohio, office. Prior to that, he held the Rochester post.

INDEX

Beauty Beat	19
C.E. Lesson	IP31
Cosmetics: Category in Motion	16
Editorial	6
Financial	78
Gladson: Manager Training	32
Gladson: Planograming by Performance	IP9
Inside Pharmacy	IP1
Lawrence: What's New	34
People in the News	9
Product Update	29
Trends	11

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1987 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 11 May 25, 1987

Henry Gray, force at Gray and Revco, dies of stroke

TWINSBURG, Ohio — Henry Gray, who lent his name to the Gray Drug chain where he worked for 39 years and then became an officer at Revco, died May 10 at Mt. Sinai Medical Center, Cleveland, after suffering a stroke. It was his 84th birthday.

"Henry Gray's death is a great loss for Revco, and for the entire industry," said Revco chairman Sidney Dworkin. "He was a teacher of many, and an inspiration to us all. His contributions to the industry were tremendous; his work was tireless; and he will sorely be missed."

Gray, a Cleveland native, was with Revco for the last 19 years, as an administrative vp and then as vice chairman of the board.

Joined Revco in 1968

He had joined Revco at Dworkin's urging in 1968, shortly after retiring at age 65 from the 200-store Gray Drug company, which he had helped found.

"Dworkin realized that Gray's years of experience, his knowledge and expertise were assets too valuable to ignore," the company said, in announcing his death.

Henry Gray

Gray started with a two-year contract at a time when the chain had 174 stores in seven states. Nineteen years and 1,800 stores later, Gray's contract was still in effect. On Jan. 1, he formally retired as vice chairman of the board, and gave up his post as president of the Revco Foundation, which supports nonprofit organizations. But he continued to come to work through April, a Revco spokesman said.

Longtime devotion

Since his teens as a drug store stock boy, Gray had devoted his life to the business.

"Bitten by the drug store bug," as he often said, Gray opened his first store in downtown Cleveland in the late 1920s. Then in 1929, he sold the store and teamed up with Adolph Weinberger, who owned a small chain.

Gray worked his way up to district manager, then was elected vp-store operations in 1940. In 1945, the stores, which were operating under three names, were consolidated under the Gray name, which was thought to be easy to remember and short enough for easy painting on a sign. Gray sold the right to his name for $1.

In 1975, he received an honorary doctorate degree in public service from Ohio Northern University for his dedication to the field of pharmacy and his support of the university's pharmacy school. The same year, he received a Spirit of Life award from the City of Hope medical center in La Jolla, Calif., which also established the Henry Gray Medical Research Fellowship.

He is survived by his wife, Ruth.

McKesson predicts supermarket Rx's to increase 40% in 2 years

CHICAGO — In-store pharmacies in supermarkets will increase in number by 40% over the next two years as the grocery industry becomes increasingly wedded to prescriptions for profit, according to a recent study by McKesson Corp.

McKesson's findings on the future of pharmacy in supermarkets were presented at the annual meeting of the Food Marketing Institute here May 4. In a workshop on "The In-store Pharmacy: Prescription for Profit," supermarket industry panelists reaffirmed their commitment to combination store retailing in general and in-store pharmacies in particular.

When properly set up and marketed, prescription departments offer supermarket chains a solid source of high-margin profits and customer satisfaction, the panelists agreed. In addition, in-store pharmacies help drive sales of related products, including H&BA, vitamins and general merchandise. A spokesman for McKesson predicted that those rewards would continue to lure new supermarket competitors into the prescription business.

"Our findings showed that almost all food chains currently operating pharmacies will open more of them over the next two years, and that more than one-third of those chains not yet in the business will open some pharmacies during that time," noted William Bales Jr., president of supermarket services, McKesson.

A study for McKesson conducted by the Allen Levis Organization found a variety of reasons for the growth in supermarket pharmacy. Among the most powerful: high gross margins for pharmacy, pegged at about 25%-35% vs. average margins of about 20% in supermarkets.

Food chains also look to pharmacy departments to boost their one-stop appeal, to defend their turf against other combo operators and to stimulate sales in their other non-foods areas, including H&BA and OTC drugs, according to the study.

McKesson found that supermarkets with pharmacies enjoyed a 20% to 40% boost in sales in H&BA and related products. Significantly, those stores also give more room to drug-related merchandise.

"A commitment to related departments is essential," researcher Allen Levis told the audience. "We found that supermarkets with in-store pharmacies have about 40% more sku's of H&BA."

Requires commitment

Levis and Bales warned FMI members, however, that opening in-store pharmacies required a high level of commitment from supermarket operators, as well as patience and expertise. Said Bales: "The break-even point for supermarket pharmacies takes about 22 months. In addition, pharmacies entail increased security risks and a definite change in management's way of thinking."

Levis and Bales were joined by panelists Lee Roy Treadway, vp-pharmacy operations for Tom Thumb-/Page Food & Drug Centers in Dallas, and Manny Richman, vp-professional services for Giant Food in Washington, DC. Both chains are in the forefront of supermarket combo store retailing.

Among the reasons: Both give ample attention to the basics of successful pharmacy, including a professional, ethical atmosphere; conveniently located pharmacy departments in the stores; highly trained and motivated pharmacists; and a variety of customer services.

"We've learned that pharmacy location in the store is very important to our success, so our pharmacies are located in a prominent position at the right front side of the store, adjacent to H&BA, vitamins and other related products," said Treadway. "The departments are designed to encourage customer contact with the pharmacist."

Customer conveniences

Tom Thumb/Page offers a number of customer conveniences, Treadway reminded his listeners. "Our image is enhanced by special services," he said, including late-night hours in some stores, chain-wide computerization, free blood pressure machines in some locations and delivery in some areas. In addition, the chain pioneered Rx price advertising in the mid-'70s in Texas, and brought discount couponing in prescriptions to its market.

Continued on page 77

TRENDS

Hair care sales rise 3%, growth spurts in sprays, styling aids, men's preps

The overall hair care category was flat again in 1986.

According to A. C. Nielsen, the total category grew by 3% in dollar sales to $3.4 billion. In 1985, the category was only up 1% to $3.3 billion.

Shampoo, which accounts for 36% of all hair care sales, was flat also in 1986. Dollar sales were up only 1% over 1985 to $1.226 billion.

Conditioning agents, the second largest segment in the category with a 20% share, was also flat, with a 2% dollar sales increase to $683 million.

Hair permanents were down again in 1986. Sales this year were off 7% to $128 million. In 1985, they were down 6% to $138 million.

Ethnic hair preps were also flat after having enjoyed several years of really strong growth. Dollar sales in 1986, Nielsen says, were down 2% to $285 million.

The four growth segments in the category were: hair sprays, up 10% to $526 million; styling products like mousse and gels, up 21% to $240 million; hair coloring products, up 9% to $434 million, and men's hair preps, up 5% to $133 million.

Mousse sales didn't grow as dramatically as earlier in the decade. Their sales definitely show a maturation of the category.

A. C. Nielsen did not break out styling aids in its breakout of category sales in 1986, but according to manufacturer estimates, mousse grew by about 13% to an estimated $200 million in 1987, while its younger sister, the gel segment, more than doubled in dollar sales in 1986, surging ahead to be about a $40 million category.

The only other category to show better percentage growth was the nontraditional special effect hair coloring brands (Pazazz, Colorific, Roux Fanci-Ful).

Manufacturers of these brands say the approximate growth in this segment of coloring in 1986 exceeded 180%.

Apparently consumers are treating their hair as a major fashion accessory, and the growth in the category is coming from those segments that appear to make the hair softer, fuller, easier to style and more dramatic.

Moreover, the trend seems to be as strong for men as it is for women. Both retailers and manufacturers say they see men spending considerably more money for products that promise superior grooming.

Soft, fuller hair styles are driving the growth in the hair care category, as consumers treat their hair as a major fashion accessory. They are highlighting it more with color, experimenting with special effects products and using mousses, gels and sprays.

Michael Christopher Designs

Hair care sales by retail segment

	1984	1985	1986
Drug stores	38.4%	38.2%	38.7%
Mass merchandisers	19.8	19.6	19.1
Food stores	41.8	42.2	42.2

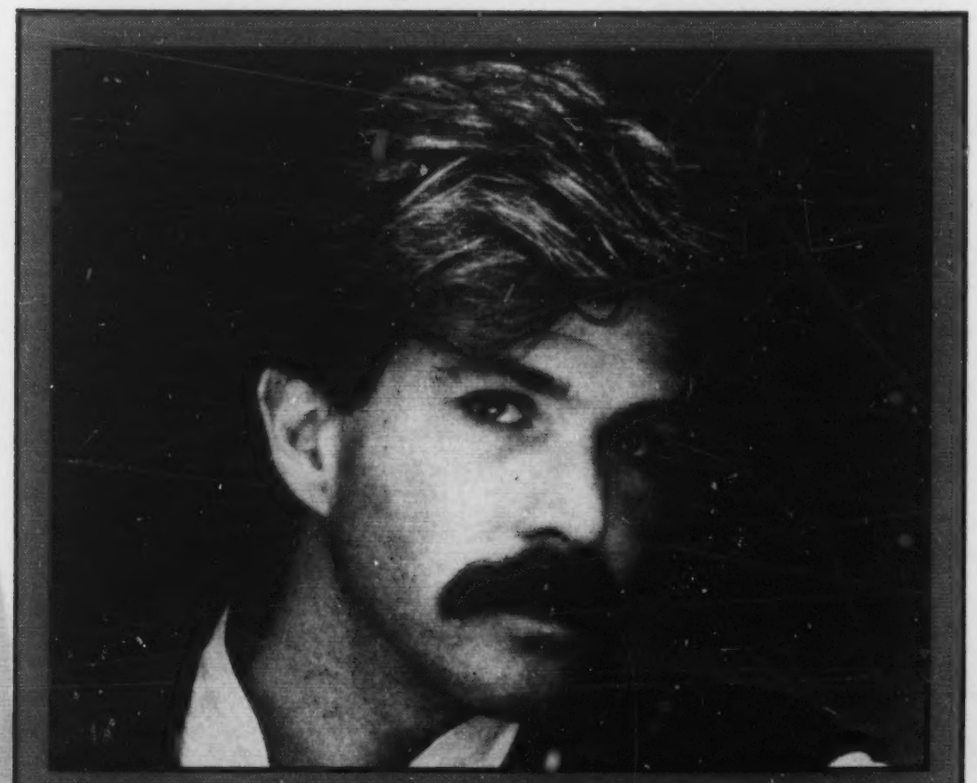
Source: Nielsen Marketing Research

Hair care: Retail dollar sales by category segment
(in millions)

	1984	% chng	1985	% chng	1986	% chng
Shampoos	$1,233	5%	$1,224	–1%	$1,226	1%
Conditioners	662	3	670	1	683	2
Sprays	449	8	477	6	526	10
Color	398	3	397	0	434	9
Ethnic	275	16	291	6	285	– 2
Men's hair preps	117	1	127	8	133	5
Home perms	146	1	138	–6	128	– 7
Total	$3,280	5	$3,324	1	$3,415	3

Source: Nielsen Marketing Research

Retailers pare mousse sku's; vendors step up promotions



Spending in the hair category is not limited to women. Retailers say men are also spending more for hair-grooming products.

Michael Christopher Designs

Last year, the growth in the mousse segment started to level off from the 200% levels it had enjoyed during its first two years as an emerging category. Retailers reacted to the slowdown by paring sku's.

In 1985, some 200 sku's were introduced to the market and retailers felt the category was not large enough in dollar volume to justify that many items. The current trend is to give most of the space to the top five to 15 best-selling brands.

For the two-month period ended last November/December 1986, Nielsen showed that six brands had a 57.7% share of all unit sales in the mousse/gel segment and a 58.4% share of all dollar sales. The No. 1 unit seller was Clairol's Condition mousse followed by Free Hold.

Alberto-Culver and Revlon's Flex were virtually tied for third place while Suave and Sassoon were the fourth and fifth best sellers respectively.

Manufacturers said they expect the shakeout in this segment to continue in 1987, as retailers finish paring their sections to feature the best-selling brands.

Retailers said they see manufacturers stepping up in-store promotions that will ensure sell-throughs and protect brand share, especially for the manufacturers whose brands are already dominant.

More Free Hold promotions

This summer, for example, L'Oreal will promote its Free Hold mousse with a combination trade allowance and instant point-of-sale rebate coupons that will allow consumers to buy Free Hold for "free."

In July and August, L'Oreal will be shipping some three million $1.99 rebate coupons into stores for instant redemption at the register. If retailers feature Free Hold at a sale price of $1.99, the purchase will not cost the consumer a penny.

L'Oreal hopes that the promotion will build store traffic and market share for Free Hold.

Hair sprays

Mark Goldstein, president of Faberge, said the trend today is for aerosol sprays to outsell nonaerosols.

"Mousses and gels," Goldstein said, "have helped the consumer to be more aware of

Continued on page 17

Hair care

TRENDS

Sales climb for special effects in hair segment

Continued from page 11

the need for styling aids. Aerosols are more efficient than nonaerosols. The gap between their sales and the sales of nonaerosols is definitely widening."

"In the last couple of years, there's also been a trend to much younger people using sprays," said Alberto-Culver's Jim O'Connor. "The mousses and gels are being used to structure and shape the hair and the sprays are being used for holding as well as for some shaping," he added.

According to Culver's marketing department, sales of aerosol sprays were up 18% in 1986, while sales of nonaerosols were up 10%.

Hair coloring

According to A. C. Nielsen, hair color in 1986 was the second fastest-growing segment in the hair care category. Nielsen estimates that sales in 1986 were up 9% to $434 million.

In the hair color divisions at L'Oreal, Revlon and Clairol, sources said that the fastest-growing segment in all of hair color is what most manufacturers call the special effects category.

This segment includes the traditional special effect products like L'Oreal's Brush-On Soft Colors and Summer Sun, Clairol's Frost 'n Tip and Summer Blonde as well as the nontraditional special effects brands like Clairol's Pazazz, Sassoon's Colorific and Revlon's Fanciful Roux.

L'Oreal's marketing department said that the special effects segment grew by 19% in dollar sales in 1986 to a $34 million category. Unit growth, the department said, was up 15%.

John Hayes, director of marketing for Clairol's hair and skin care lines, said that Clairol's research indicates that the unit sales of the traditional special effects segment grew by 18% in 1986, but unit sales of the nontraditional temporary rinse-in brands like Pazazz, Colorific and Roux grew by a whopping 183%.

Lowell Harper, Director of Marketing for Revlon's Professional Hair Care Division, said women are using special effect products to help them "accessorize their hair." The trend is to use temporary hair color "to have fun and to enhance one's looks." Traditionally, hair coloring products have been associated with older women who use them to conceal gray hair.

Salon trends

Hair stylists said they see the same trends in their salon business. More and more younger women are coming in to ask for hair coloring treatments.

"They don't want to cover gray," said New Jersey stylist Cathy Walgus-Meyer of Nutley's La Chic Hair Designs. "They want to improve their overall looks by enhancing the natural highlights that are hidden in their hair. They are also realizing that highlighting their hair can help to condition it."

Hair color dollar sales by retail segment

	1984	1985	1986
Drug stores	58.3%	57.6%	58.9%
Mass merchandisers	22.6	22.5	20.6
Food stores	19.1	19.9	20.4

Source: Nielsen Marketing Research

Merchandising strategies

Retailers said they see the same phenomenon in their stores. Many of the major chain drug stores are already changing how they merchandise the special effects category.

"We're taking it off the bottom shelf," said one buyer for a southern-based chain, "and giving it its own planogramed segment at eye level."

"We used to merchandise the segment as part of the brand family: All the Clairol special effects brands with the rest of the Clairol hair colors, all of L'Oreal's with the permanent and temporary hair colors," said another buyer.

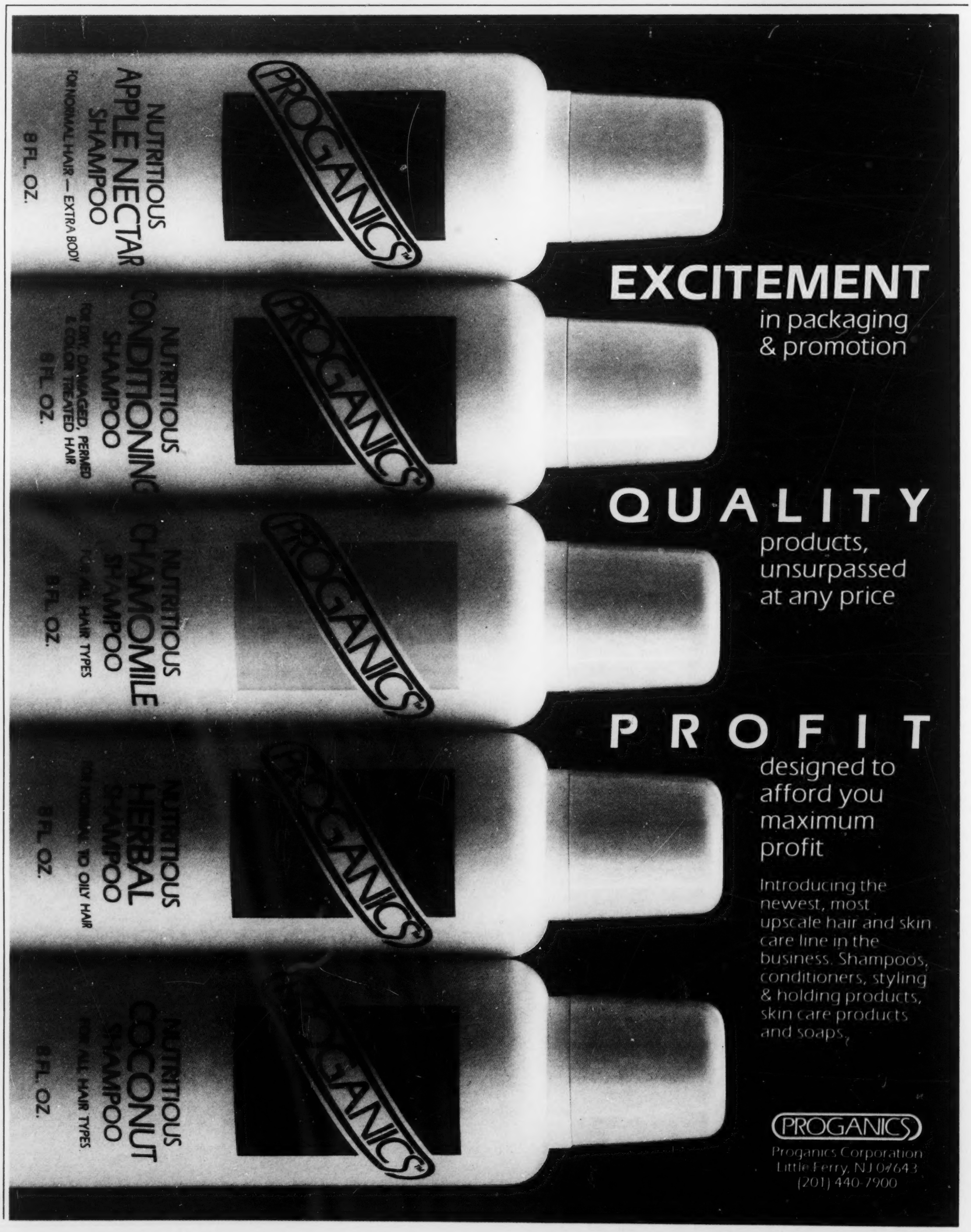
"Now we're giving the segment its own section in the hair-care planogram. It's the same strategy we used with the mousses and the styling gels when we saw the growth in those segments and realized the potential for add-on sales," the buyer added.

Retailers said they are seeing the strongest sales with Revlon Roux Fanci-full and with Clairol's Pazazz. Zazu, which is not merchandised in the hair coloring section but in a planogram in the cosmetic section, is still having mixed results.

Top hair color brands by unit sales
(food, drug and mass merchandisers)

Brand	Units
Nice & Easy (Clairol)	15.5%
Preference (L'Oreal)	13.2
Loving Care Lotion (Clairol)	9.4
Excellence (L'Oreal)	5.2
Ultress (Clairol)	4.9
Miss Clairol Shampoo Formula (Clairol)	4.7
Loving Care Mousse (Clairol)	2.6
Avantage (L'Oreal)	2.4

Source: Manufacturer estimates based on Nielsen's November/December 1986 period


PROGANICS
NUTRITIOUS APPLE NECTAR SHAMPOO
FOR NORMAL HAIR — EXTRA BODY
8 FL. OZ.
NUTRITIOUS CONDITIONING SHAMPOO
FOR DRY, DAMAGED, PERMED & COLOR TREATED HAIR
8 FL. OZ.
NUTRITIOUS CHAMOMILE SHAMPOO
FOR ALL HAIR TYPES
8 FL. OZ.
NUTRITIOUS HERBAL SHAMPOO
FOR NORMAL TO OILY HAIR
8 FL. OZ.
NUTRITIOUS COCONUT SHAMPOO
FOR ALL HAIR TYPES
8 FL. OZ.
EXCITEMENT
in packaging & promotion
QUALITY
products, unsurpassed at any price
PROFIT
designed to afford you maximum profit
Introducing the newest, most upscale hair and skin care line in the business. Shampoos, conditioners, styling & holding products, skin care products and soaps.
PROGANICS
Proganics Corporation
Little Ferry, NJ 07643
(201) 440-7900

Chains promote bulbs to plug into high profits

Drug chains have turned light bulb departments into traffic and profit centers through aggressive promotions.

Chains such as Fay's, Walgreens and Osco advertise bulbs at least twice a month to compete with mass merchandisers, home centers and supermarkets, while making margins on sales of specialty bulbs, which often reside in expanded departments.

"Retailers are not getting the long markup on (bulbs) they did five 10 years ago, but it's still a good profit item," said Jim Wuest, Fay's general merchandise manager.

30%-50% margins generated

Chain buyers said the departments can generate margins of 30%-50% when shoppers pick up nightlights and decorative lights at everyday prices, after they have been lured by promotions of standard bulbs and soft whites, which may be sold as loss leaders.

Super D, for example, concentrates on promoting General Electric's three-way soft lights to counter the threat posed primarily by Wal-Mart, according to a source at Super D's parent, Malone & Hyde.

Super D last year typically featured monthly promotions, with emphasis on GE's 4-pack soft light at $2.59 in dump displays. They will be offered this year at $2.89, reflecting the 4% price hike that swept the industry, the source said.

But the price increase won't be reflected in all everyday items, to keep price points under $5. GE's 4-pack of Miser bulbs, for instance, will stay at $4.99 ($3.57 on promotion).

Super D plans to run seven different promotional bulb displays this year, including a repeat of a Reading Light promotion, which achieved brisk sales last year.

Walgreens' approach

Walgreens takes a different tack in promoting its GE assortment to maintain margins of 50% while staying competitive, according to a source. It promotes a variety of sku's to make margins on less advertised specialty bulbs, such as nightlights and decorative bulbs, the source said.

"They've learned not to just pound the soft-white 4-pack everyday. They maintain a good, healthy margin by promoting the total category," he said.

The chain runs three or four sku's per ad. It can make 35%-40% margins on ad of decorative bulbs, for example, which aren't being featured by its competitors.

Chain buyers said that sales of energy-saving bulbs have flattened with the waning of consumers' energy consciousness, and because standard bulbs are being offered at such low prices.

"It doesn't make sense to buy an energy-saving bulb when you can buy a 4-pack of soft whites so cheap," said Doug Gravening, senior vp and merchandise manager at Lewis Drug in South Dakota.

Lewis features 20 feet of a North American Philips planogram in its 40,000-square-foot stores, and sells the 4-pack at $1.19 to $1.49. Lewis saw strong demand when it introduced a 6-pack of ground-set lights last year from Toro, Gravening said.

Other chains' methods

Harco posted brisk department growth after moving to GTE-Sylvania recently and advertising about three times its traditional level, emphasizing soft whites, standards and chandelier bulbs, according to head buyer Russ McKee.

Snyder Drugs, promoting monthly, gets 50%-60% margins from the category with a 24-foot GE planogram that includes 4 feet of accessories. Snyder offers the 4-pack soft white at $1.49 to $1.59, against low-balling competitors Walgreens and Target, said buyer Roger Musil.

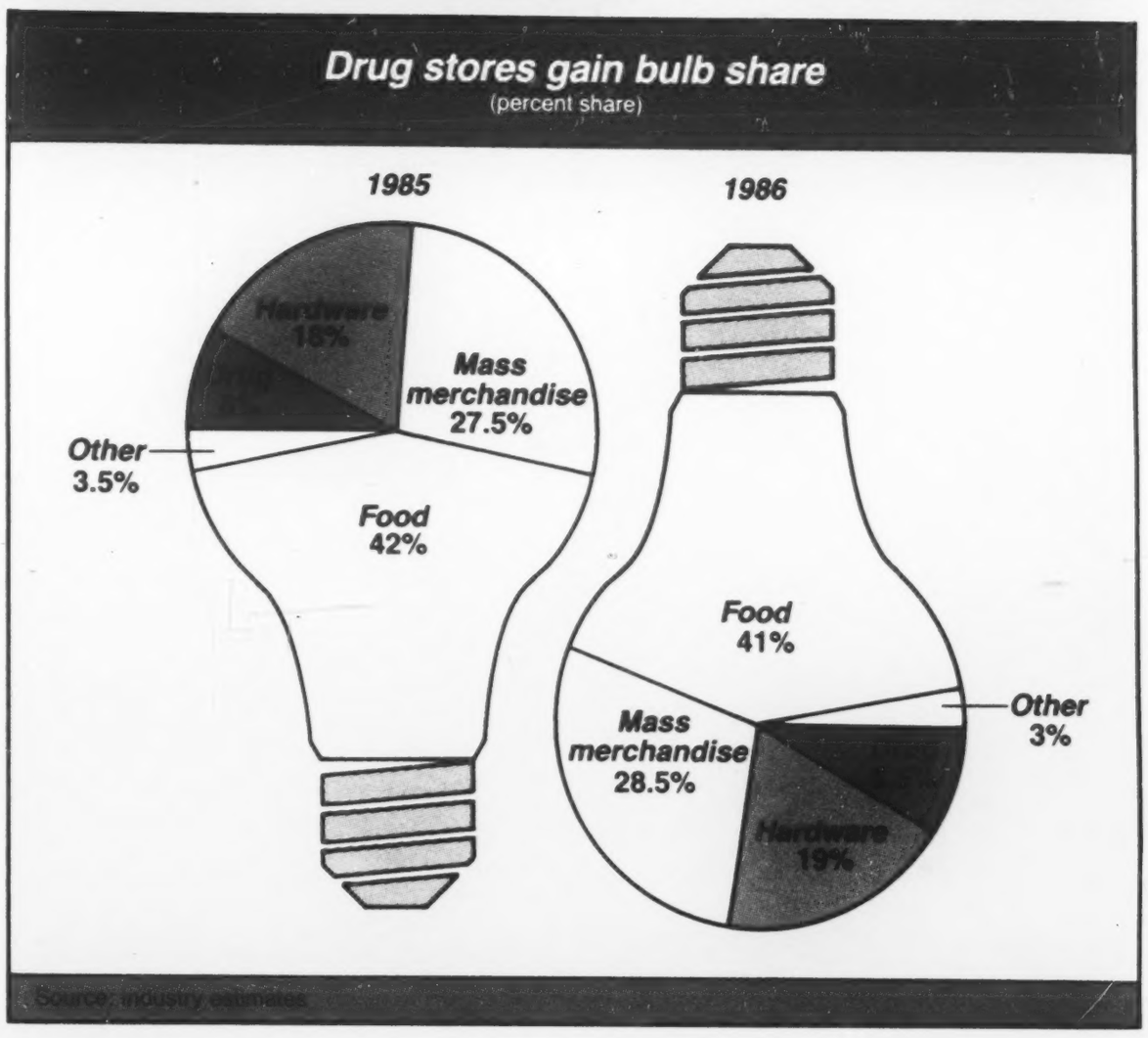
Super D and Perry Drug are among chains that plan to increase linear footage to meet demand. Super D needs to increase stores' inventory to meet demand between its weekly deliveries from its warehouse. It will double the 4-foot sections found in most of its smaller stores to 8 feet.

Perry has set up a prototype that expands its current 8-foot section to 12 feet, reflecting the demand the department has spurred, according to buyer Bob Heather.

Heather said he will be watching the impact of vendors' higher prices on such chains as K mart and Farmer Jack in setting Perry's prices this year. The chain in its coupon book last year promoted GE's Inside Frost, which other chains, including Fay's, use to hit a low-end price point and compete with private label. It can typically sell for 44 cents less on a 4-pack than a full-price brand.

Fay's also carries a private label, but might change part of the mix to GE's generic to help counter stiff competition from chains, including deep discounters, according to Wuest.

"The days when you could put them out at full list and have them sell like crazy are gone," Wuest observed.



Dart Drug Stores displays light bulbs differently, depending on the size of its stores. At the Greenbelt, Md., drug/home center store, Dart creates an electrical valley with fixtures and accessories on one side and extensive light bulb displays on the facing gondola. At a downtown business center store in Washington, D.C., Dart prices a limited assortment of 4-packs at $1.99 on sale. The store caters to lunchtime crowds, so small packages and limited space are the order of the day.

Vendors boost TV ad budgets

Vendors expect a blaze of television advertising to illuminate the category this year. General Electric, GTE-Sylvania and North American Philips will spend more than $40 million between them on TV, compared with about $3 million in 1981, according to industry sources.

They are also stepping up rebate, coupon and newspaper promotions in a battle that flared last year with the market entry of the Philips brand.

"This kind of spending in the long run is going to benefit all the major brands, by creating a higher level of visibility and awareness for what was close to being a commodity product," observed Bill LeComte, GTE's ad manager.

GE and Sylvania are responding forcefully to Philips' plan to continue in 1987 the stepped-up level of TV it paid for last year. "We intend to retain our share of voice," said Bill Flaherty, Philips 'market manager for drug channels. Philips spent about $7 million in the last quarter of 1986 on TV and tripled its annual TV budget. Flaherty said it gained one full market share point as a result, ending with a 20% share.

GE to boost TV budget

GE, which matched Philips in broadcast in 1986 (spending $13 million), has slated a major boost to its TV budget for this year, according to industry sources.

It also counts on the exposure the GE name receives when it advertises other products.

GE, which has a commanding market share of more than 55%, this year introduced tear-off coupons for redemption at checkout, and reintroduced on-pack mail-in rebates, putting them on soft whites and bug lights. "We have the strongest promotional calendar we've ever had," a GE source said.

GTE has hiked its TV budget 40%, with planned spring and fall flights, and has boosted its coupon and rebate program in newspaper freestanding inserts, LeComte said.

TRENDS

Shoppers willing to spend for high-end flashlights

Customers are willing to spend an extra dollar in a drug store for a premium flashlight, which is adding profits in chains' home lighting programs, drug buyers say.

Some chains are promoting the halogen and krypton bulb lights by Eveready and Duracell, while others promote low-end lines and carry $5-$15 premium items for customers' planned purchases.

The high-end lights such as Eveready's Halogen, Duracell's Durabeam and Rayovac's Workhorse have caused sales growth of 13%-14% in the flashlight market in recent years, which should continue, according to industry sources. It hit $280 million retail sales in 1986, manufacturers said.

"The growth is in the well-styled, well-designed flashlights, because people are looking for more quality," said Paul Garrity, president of Garrity Industries, whose lines are carried by chains including Walgreen, Eckerd, Revco and Thrifty.

Garrity said his business, led by sales of a four-sku rubber, waterproof Tuff Lite line (priced up to $12), is 100% above last year.

Doesn't include batteries

Lewis Drug's five-sku everyday flashlight assortment has the Durabeam and Halogen at under $6. "We run them without batteries included to keep the price down. It gives you a price point where there isn't too much resistance, if you're looking for a good flashlight," said Doug Gravening, senior vp and merchandise manager.

The lights are paired with batteries on an island display adjacent to the front-end checkstand. (Lewis also teams batteries and Rayovac lanterns in its sporting goods department, and clip strips disposable lights.)

Lewis has promoted Rayovac's Workhorse on an in-and-out basis, and low-end lights with coupon ads.

"We'll try to run two flashlights in a coupon book and charge vendors for the ad space. There seems to be a lot of street money out there," Gravening noted.

Eveready, Duracell and Rayovac batteries are cross-merchandised with cameras, sporting goods and toys, as well as flashlights, and produce "big numbers," he said. Lewis carefully monitors pricing at K mart and Target.

Eckerd goes for the impulse purchase by putting a GE light bulb display next to the racetrack by the front door at its Indian Rocks Beach, Fla., unit. The display is angled to face shoppers walking down the main aisle.

"Batteries have to be right on the number. It's like Starkist Tuna," Gravening observed.

Maxidrug's strategy

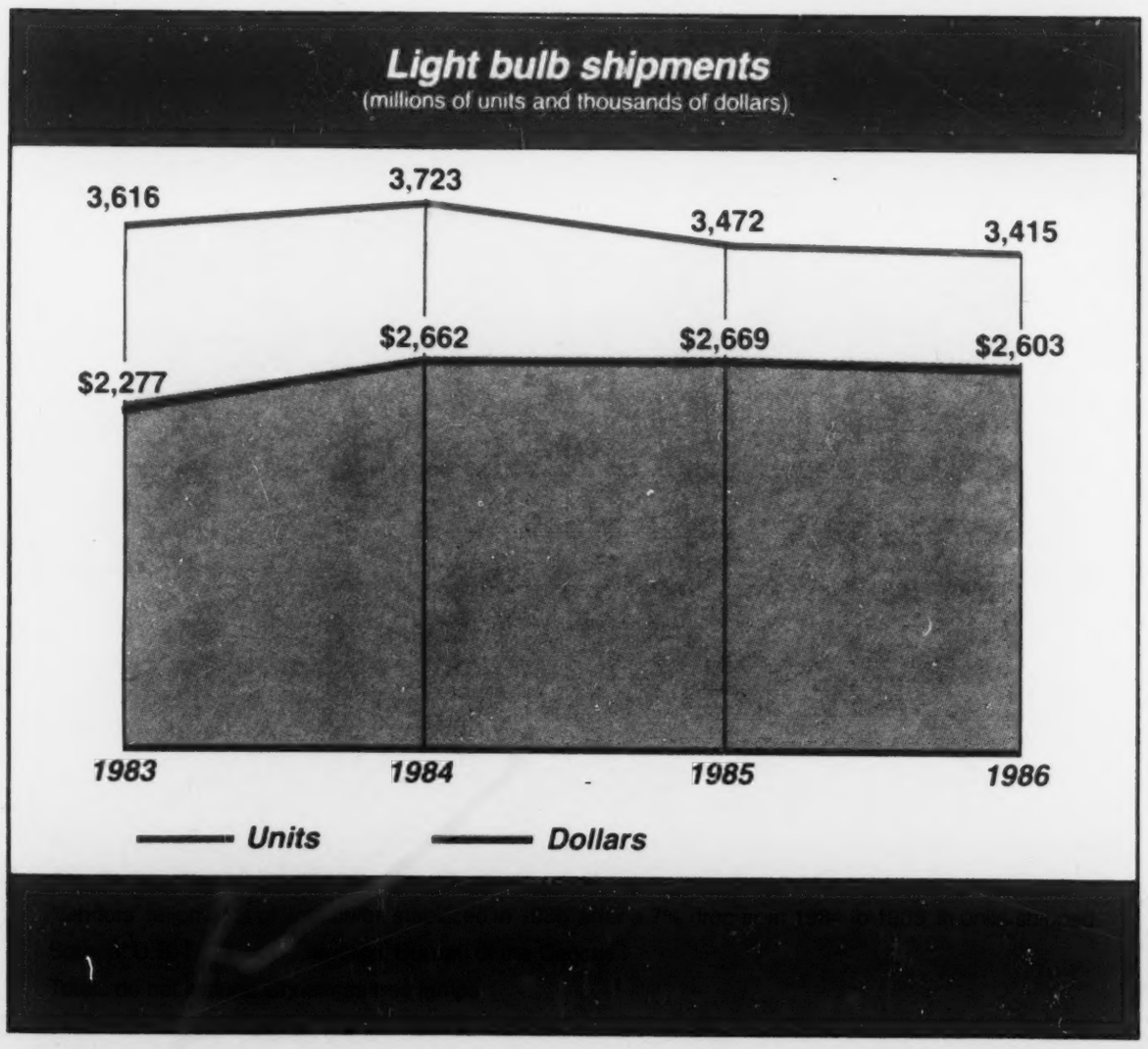
Meantime, deep discounter Maxidrug in Massachusetts promotes low-end lines at $2.99. Its 12-sku everyday assortment—in an 8-foot in-line display—includes the Halogen at $5.77. The premium lights have the same markup as the low end, allowing a better profit return, said Donna Anderson, a buyer with the Jean Coutu division.

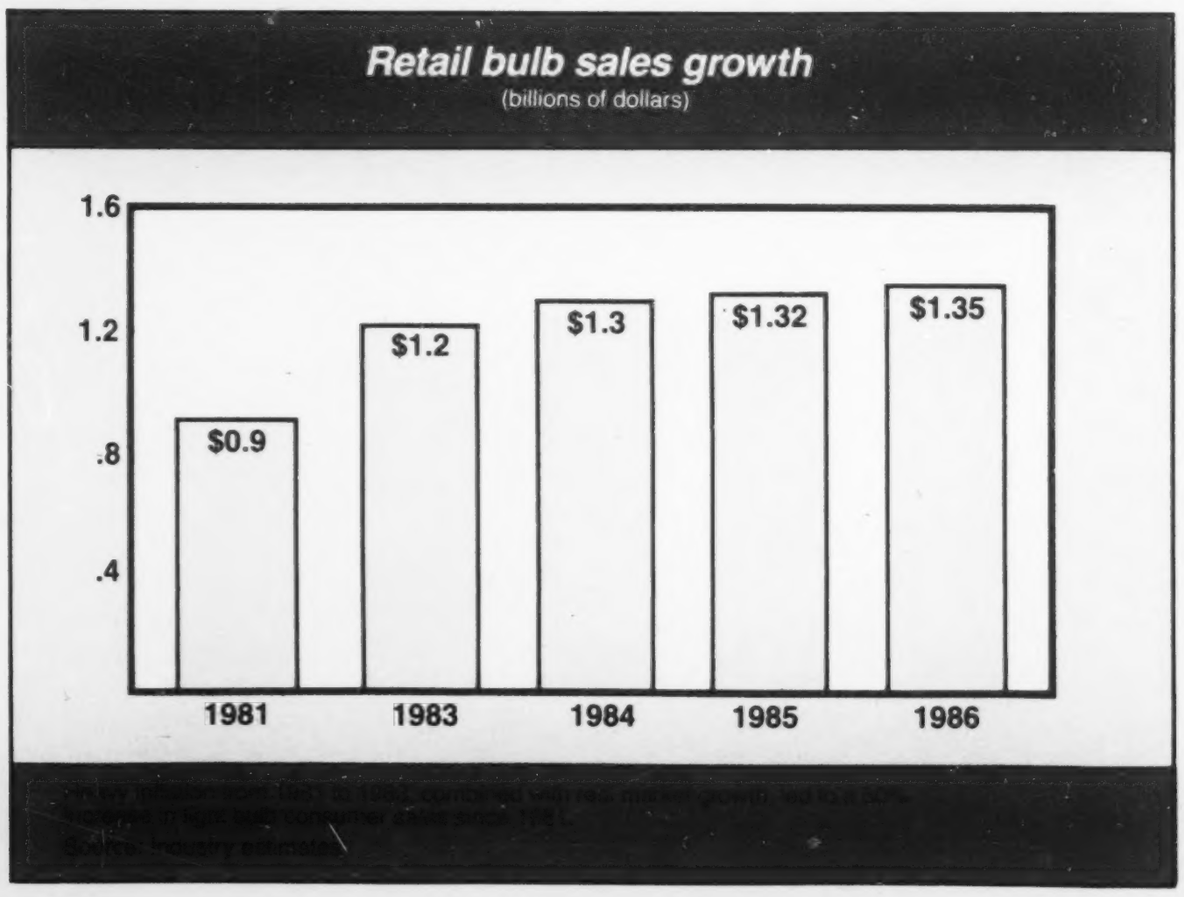
"We promote the budget lines to have a price the customer will come after. You can sell a lot more at $2.99 than at $9.99," said Anderson.

For its part, Begley carries the Halogen at $10.99 everyday and $7.99 on promotion, as part of an 11-sku assortment, said buyer Chuck Reeves.

Buyers said they have obtained mixed results in rechargeable lights, although rechargeable batteries are catching on as consumers realize how much they are spending to power their toys and "boom box" radios.

"We have tried the rechargeable lights and haven't been successful. I'm afraid the price is too high, and the customer isn't willing to accept them yet," said Harco head buyer Russ McKee.





INSIDE PHARMACY

Rising drug prices stir debate among experts

While the overall U.S. inflation rate dropped to a barely noticeable 1.9% last year, retail prescription drug prices climbed 8.6%, and manufacturer prices rose even faster.

What's more, 1986 was not a fluke. Manufacturer Rx drug prices have been climbing at least twice as fast as the Consumer Price Index during each of the past four years—a sharp reversal from the situation in the 1960s and early '70s, when pharmaceutical prices helped to hold down the nation's cost of living.

What's behind this disturbing and continuing climb in drug prices? To what extent are these increases attributable to stepped-up research and development spending by the industry? Why hasn't the influx of new, lower-priced generic drugs helped to hold down prices? Are manufacturers gouging the public, or are today's more advanced pharmaceuticals a better bargain than ever?

Those are some of the questions being asked now in Washington. Just last month, Rep. Henry Waxman (D-Calif.), chairman of the House Subcommittee on Health and the Environment, held full-dress Congressional hearings on the drug price issue, and there is talk on Capitol Hill of far-reaching legislation to address the problem.

One radical solution advanced by some: Scrap the current drug patent system in favor of a compulsory licensing scheme similar to the one credited with reducing prescription drug prices in Canada.

But are pharmaceutical prices really out of control? Here's what a cross-section of experts from industry, government, academia and the consumer movement have to say about the cost of prescription drugs today.

Price changes for selected top-selling Rx drugs:
Brand names vs. generics

Brand Name	Date	% price change	Brand Name	Date	% price change
Aldomet 250mg tab	1-1-85 1-1-86 1-1-87	 +10% +11	Methyldcpa 250mg	4/85-2/87	−27%
Aldoril 25 tab	1-1-85 1-1-86 1-1-87	 +11 +11	Methyldopa/HCTZ 25mg	2/86-2/87	−19
Ativan 1mg tab	1-11-85 6-14-85 11-13-86	 +11 +13	Lorazepam 1mg	12/85-12/86	−52
Catapres tab 0.1mg	1-28-85 2-3-86 2-9-87	 + 8 + 9	Clonidine HCL 0.1mg	5/86-2/87	−82
Dalmane 30mg	3-4-85 1-6-86 10-22-86	 + 9 + 8	Flurazepam 30mg	12/85-11/86	−28
Darvocet-N-100	6-3-85 6-19-86	 + 9	Propoxyphene-N-100/APAP	8/85-11/86	−19
Diabinese 250mg	5-1-84 6-1-86	 + 5	Chlorpropamide 250mg	10/84-12/86	−55
Inderal 40mg	1-2-85 1-2-86 10-1-86	 + 6 + 7	Propranolol 40mg	7/85-1/87	−78
Indocin 25mg	1-1-84 1-1-85 1-1-86 1-1-87	 + 8 +11 +11	Indomethacin 25mg	4/84-11/86	−60
Valium 5mg	3-4-85 1-6-86 10-20-86	 + 8 + 8	Diazepam 5mg	8/85-2/87	−83

Source: Revco D.S., Inc.
*These price changes were recorded for drugs purchased from pharmaceutical manufacturers by Revco during the periods listed.

Gerald Mossinghoff, Pharmaceutical Manufacturers Association president, contends that over a longer timeframe, prescription drugs have shown only modest increases and that modern pharmaceuticals are one of the few true health care bargains.

In recent years, the costs of providing health care, and the prices charged, have risen substantially. The same is true for prescription drugs. But modern prescription drugs are a very good value. Prescription drug prices have remained well below the overall Consumer Price Index ever since that index was set at 100 in 1967. And drug prices today are less than two-thirds the overall price index for medical care.

Prescription drugs and related products sold in retail pharmacies in 1985 were half of the 1960 level as a percentage of health care costs. In 1967, a typical worker had to work one hour and 20 minutes to pay for an average prescription; by 1985, it took only 63 minutes to pay for that prescription.

Modern medicines do not only save lives, prevent disease and cure illness; they also save billions of dollars each year by reducing the need for surgery, hospitalization and other more expensive forms of therapy. In its first 10 years, the anti-ulcer drug Tagamet saved $4 billion in the United States alone.

Research and development are the hallmarks of the PMA member companies. Their investment in R & D continues to double every five years. Moreover, the industry is investing an increasingly higher percentage of sales—currently 15%— to finance its growing investment in R & D. Measuring increases in R & D expenditures the same way we measure price increases, the "index" for R & D conducted by PMA companies now stands at over 1,000—three-and-one-half times the prescription drug CPI.

The period of time during which this enormous investment in R & D can be recovered through sales revenues is being dramatically compressed due to a number of converging forces. Foremost is the unprecedented surge in competition from generic products as soon as the patent on the pioneer drug expires.

Other major forces include the intense competition within the research-based pharmaceutical industry to develop and market new patented drugs, increasing delays in the approval of new drugs, and increasing foreign competition from developed countries that have targeted this industry and from newly industrialized countries that blatantly condone patent piracy.

Henry Waxman (D-Calif.), House health subcommittee chairman, a longtime critic of pharmaceutical industry pricing practices, held Congressional hearings two years ago into the abrupt rise in Rx drug costs. At that time, pharmaceutical manufacturers justified their steep price hikes by citing increased research and development costs. But since then manufacturer drug prices have continued to climb at an unprecedented rate, and Waxman has become "terribly skeptical" of the industry's R & D claims. During new hearings last month, Waxman released the results of a Congressional survey of the nation's 25 largest pharmaceutical manufacturers which, he said, suggest that continuing Rx price hikes are a result of "greed on a massive scale."

Based on data supplied by these manufacturers to the subcommittee, it's clear that the pharmaceutical industry has misled the American people. Most of the money generated by the recent enormous price increases is not going to fund R & D.

Between the years 1982 and 1986, drug price increases produced revenue gains of $4.7 billion. During the same period, R & D expenditures rose only $1.6 billion—or about a third of the revenue gains from price increases.

In short, the money was arriving in bucketloads, but was going to R & D in spoonfuls.

We need to know what's going on with the drug industry. Too many Americans depend on life-saving drugs for Congress to let prices skyrocket without a clear explanation from the companies involved. And, we must constantly remember that most Americans get drugs only one way—by paying for them out of their own pockets. Only a small fraction of the drugs consumed in the United States gets paid for by the government or by health insurance.

This particularly affects the elderly, most of whom live on fixed incomes. While they constitute 11% of the population in this country, they consume roughly 30% of the drugs prescribed each year.

H.C. Eastman, University of Toronto economist and an expert on the controversial Canadian compulsory licensing requirements for pharmaceuticals, contends that this approach does reduce Rx prices substantially—but at the expense of industry research and development.

In the 1960s, three major inquiries in Canada concluded that pharmaceutical prices were too high. The Kefauver hearings in the United States were reaching similar conclusions at about the same time.

All three studies recommended that the objective of lowering drug prices in Canada be addressed by modifying the Patent Act. This was done in 1969 by extending compulsory licensing to import patented pharmaceutical products. Licensees can import the active chemical ingredients and sell medicines in Canada in competition with patentees. Because of the wording of the Patent Act, the commissioner of patents has set royalty rates of 4% of the licensee's price when granting compulsory licenses, which leads to very low prices.

Compulsory licensees have naturally chosen to sell generic equivalents of the major selling drugs. This has reduced the prices of these multi-source drugs significantly and achieved savings for consumers and governments that I estimated at over $200 million out of total sales of $1.6 billion in 1983.

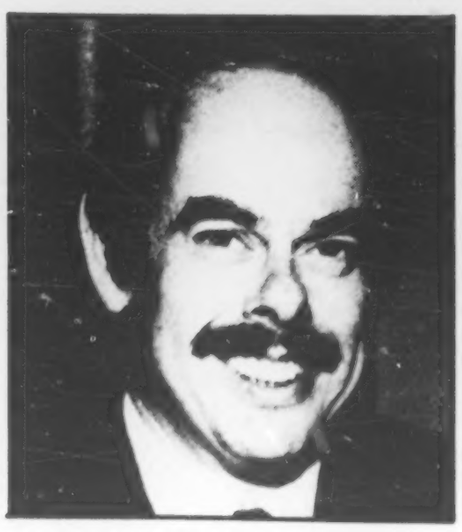
The policy has aroused considerable criticism from the patent holding sector of the pharmaceutical industry and of the governments of countries in which those firms are owned. Some firms have been seriously hurt by generic competition, though the industry as a whole remains very profitable. On the other hand, consumer interests, provincial governments (which pay 45% of the drug bill) and those who think standard patent protection is excessive are in favour.

Some Canadians also believe that the compulsory licensing policy has discouraged R & D spending in pharmaceuticals in Canada. Others simply think it improper to give pharmaceutical products weaker patent protection than is extended to other products.

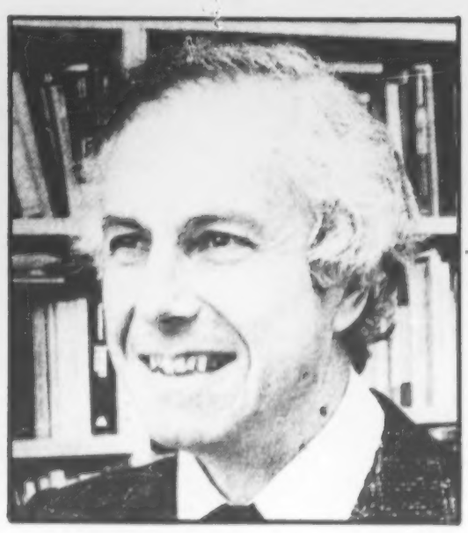
My own view is that standard patent terms are not a law of nature, but that patents are an instrument of industrial

Continued on page IP22

Gerald Mossinghoff
PMA president

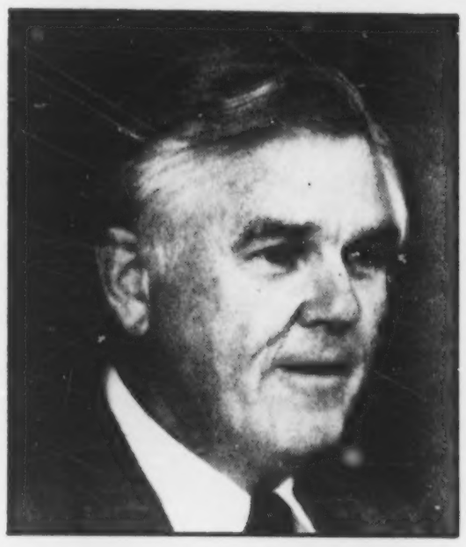


Henry Waxman
(D-Calif.)



H. C. Eastman
U. of Toronto economist

Experts air views on climbing script drug prices



Donald E. O'Neill, president Warner-Lambert

Continued from page IP21

policy that should be finely tuned to reach particular objectives when that is possible. To be more specific: In the case of pharmaceuticals, I believe that standard 17-year protection from the date of patent grant gives rise to excessive prices and costs unless offset by some other steps. I also think that unrestrained compulsory licensing at existing royalty rates would, if employed in all countries, probably elicit too little research. The continuation of the present regime in Canada might result in Canadians not bearing a sufficient share of worldwide R & D costs.

The government of Canada is now proposing to amend the compulsory licensing provisions of the Patent Act so that licenses will not be issued on a drug's first patent until the drug has been on the market for 10 years. A board is also to be established with the power to revoke this 10-year exemption from compulsory licenses when it judges the price of a patentee's drug to be excessive.

Warner-Lambert president Donald E. O'Neill questions the validity of comparing pharmaceutical prices with a "static" standard such as the Consumer Price Index. Indeed, he notes that some experts believe that the true cost of prescription medicines may actually be declining.

As a 37-year participant in the pharmaceutical business, I'm proud of our industry's performance. *Newsweek* has called our products "enchanted substances" which gave physicians their first true power to cure. The extension of life since 1950—more importantly, its improved quality—is a direct function of our research...research that provides value that cannot readily be measured.

In that sense, I don't believe it's statistically fair to focus on a three- to five-year period of pricing history. Nor do I believe it's fair to focus on the price of a single product without reviewing an entire line of hundreds of individual items. If we're going to compare drug prices with the CPI, let's look at the record since the index was created. Let's also look at the validity of using an index that's heavily weighted toward energy and transportation costs. If you subtract those two elements, I'm told that the CPI rose 4.7% last year. That was precisely our price increase rate. I'd also point out that the CPI is a static standard; it does not measure the impact of product or technology advances.

However, I'll leave those discussions to the economists and the more learned among us. I suspect they could validate the billions of dollars generated by lives saved, surgeries avoided and hospitalization shortened by the intervention of these enchanted substances.

Industry observers have suggested that, based on their model, drug prices are declining. Whether this is a cyclical phenomenon or the effects of the Drug Price Competition Act, I'll also leave that to the economists. The fact is that the fruits of pharmaceutical industry research, operating in a free market, have contributed importantly to everyone.

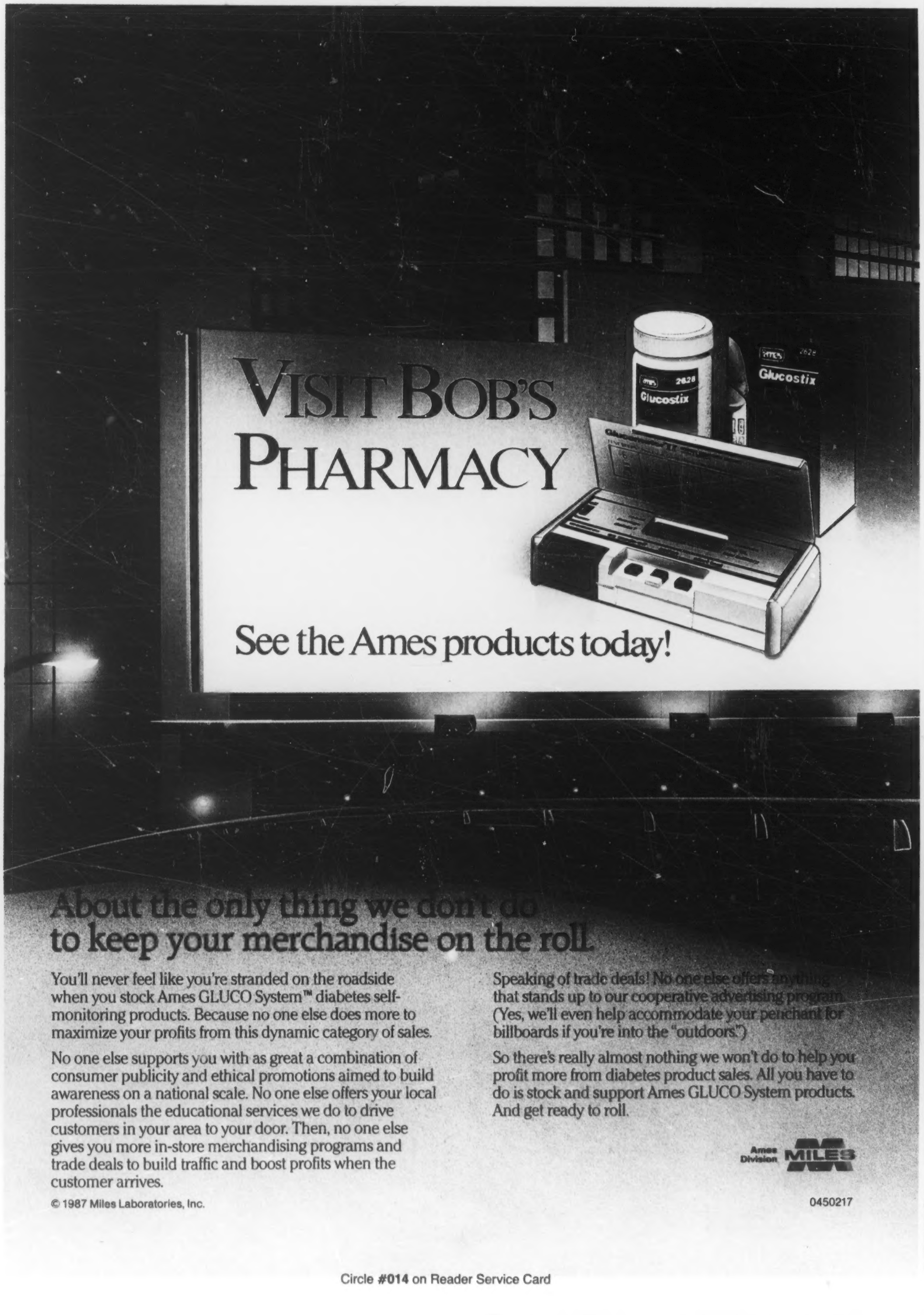
One frequently cited cause for the continued rise in Rx drug prices: slow-footed Food

Continued on page IP23

Comparison of price gains: CPI vs. Rx drugs
(PRODUCER PRICES)

	CPI (% price gain)	Rx drugs (% price gain)
1977	6.5	4.2
1978	7.7	5.2
1979	11.3	7.0
1980	13.5	8.8
1981	10.4	11.7
1982	6.1	11.1
1983	3.2	10.7
1984	4.3	9.3
1985	3.6	9.2
1986	1.9	8.7

Source: Bureau of Labor Statistics


VISIT BOB'S
PHARMACY
See the Ames products today!
Glucostix
Glucostix
About the only thing we don't do
to keep your merchandise on the roll.
You'll never feel like you're stranded on the roadside when you stock Ames GLUCO System™ diabetes self-monitoring products. Because no one else does more to maximize your profits from this dynamic category of sales.
No one else supports you with as great a combination of consumer publicity and ethical promotions aimed to build awareness on a national scale. No one else offers your local professionals the educational services we do to drive customers in your area to your door. Then, no one else gives you more in-store merchandising programs and trade deals to build traffic and boost profits when the customer arrives.
Speaking of trade deals! No one else offers anything that stands up to our cooperative advertising program. (Yes, we'll even help accommodate your penchant for billboards if you're into the "outdoors.")
So there's really almost nothing we won't do to help you profit more from diabetes product sales. All you have to do is stock and support Ames GLUCO System products. And get ready to roll.
Ames Division
MILES
© 1987 Miles Laboratories, Inc.
0450217

Circle #014 on Reader Service Card

Rising prescription prices stir debate

Continued from page IP22

and Drug Administration implementation of the accelerated generic drug approval provisions in Rep. Henry Waxman's 1984 Drug Price Competition/Patent Term Restoration Act. Not so, according to deputy F.D.A. commissioner John Norris, who defends both the agency's track record in approving lower-priced generic versions and the safety of those generic products.

During the past 12 months, 673 ANDAs have been approved, most of them for generic versions of post-1962 drugs. By comparison, before enactment of the 1984 amendments, the Generic Drugs Division approved slightly more than half this number, an average of approximately 350 ANDAs annually.

Not only are we pleased with the quality of generic drug approvals, but we are also confident that the quality of data in applications that have received approval reflects the current technology in the sciences of biopharmaceutics and drug product production. For example, all of the generic versions of the post-1962 drugs in solid oral dosage form have been tested in human studies to determine bioequivalence with their brand name counterparts, while most pre-1962 generics were approved on the basis of *in vitro* or "test tube" data only.

Because of the dramatic impact of the new law on the pharmaceutical marketplace, interest in sufficiency of generic drugs in general and in the quality and equivalence of generic drugs in particular has intensified in the last three years. While we at F.D.A. do not have any preference for generic drugs over brand name drugs, or vice versa, it is difficult nonetheless for us to hear criticisms that question the safety and effectiveness of generic drugs without feeling concern for what these criticisms might imply about the scientific validity of the drug review process that allows them to be legally marketed.

We have yet to see a documented, verified case of a therapeutic failure caused by a bioequivalent generic product that has been approved by F.D.A. and evaluated by us as therapeutically equivalent.

According to Winthrop Pharmaceuticals president Harry Shoff, the recent rise in drug prices reflects in part soaring product liability costs and increased capital expenditures by the industry.

The escalating cost of research has been documented as a major factor which determines price increases, but there also are other elements to consider.

...The spiraling increase in the cost of insurance coverage is an example of a very real factor affecting the price of marketed products, including pharmaceuticals. In recent years, there has been a continuing general decline in the availability of appropriate product liability insurance coverage. As a result, Winthrop's insurance coverage decreased substantially for events occurring after July 1985. Thus, Winthrop is essentially self-insured for liability coverage. We had to set aside millions of dollars in reserve funds.

Capital costs are another factor. We have under way a multi-million dollar capital improvement program to modernize our research facilities for new drug discovery.

Harry Shoff, president Winthrop Pharmaceuticals

Comparison of price gains: CPI vs. retail Rx drugs

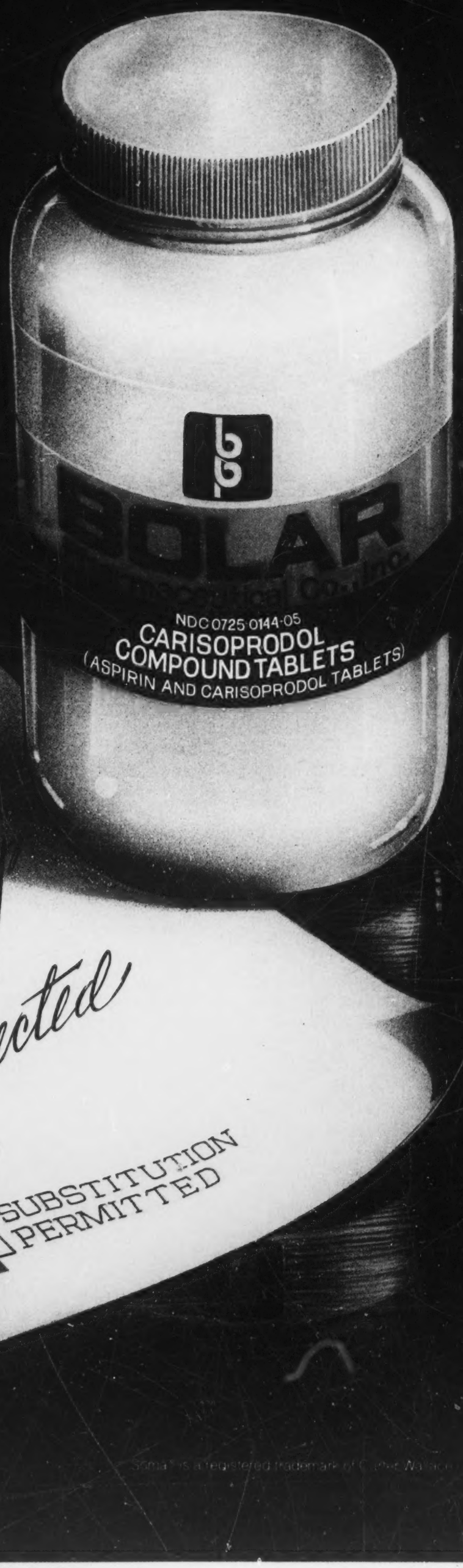
	CPI (% price gain)	Rx drugs (retail) (% price change)
1977	6.5	6.0
1978	7.7	7.8
1979	11.3	7.8
1980	13.5	9.2
1981	10.4	11.4
1982	6.1	11.7
1983	3.2	10.9
1984	4.3	9.6
1985	3.6	9.5
1986	1.9	8.6

Source: Bureau of Labor Statistics

The Writing on the Wall.

The appeal of generic pharmaceuticals is very simple. Generics provide a high quality alternative to brand name drugs, at highly competitive prices. And while brand name companies have been slow to realize the potential of generics, they're now racing to enter an industry that they previously criticized at every opportunity. They see the writing on the wall.

The generic industry exists today because companies like Bolar helped create and nurture it. We have always valued generics as a common sense approach to healthcare. And as more people share our sentiment, common sense tells you that generics are writing a new chapter in the future of the pharmaceutical industry.



Rx
Soma Comp
#30
as directed
SUBSTITUTION PERMITTED

A name you can depend on.

BOLAR Pharmaceutical Co., Inc.

Soma® is a registered trademark of Carnrick Laboratories

Circle #015 on Reader Service Card

INSIDE PHARMACY

Cardiovasculars are best sellers in '86 Rx drugs

Pharmacists dispensed more units of cardiovascular drugs in 1986 than of any other therapeutic drug category.

That was one key finding in *Drug Store News*' 1987 ranking of the top 100 Rx products. Additionally, the study revealed that, based on unit movement, the exact same percentage (41%) of prescription products moved up in position as moved down. There were 12 new entries to the top 100 listing, and six maintained their positions.

Cardiovascular drugs clinched first place, with 19% of the top 100 drugs dispensed in 1986 (based on number of units dispensed) falling into that category. Coming in a near second with a 13% share was the antibiotic category.

Other notable drug categories in the top 100 listing included analgesics, 9%; hormones and tranquilizers with an 8% share; antiarthritics and oral contraceptives, 7%; antiulcer drugs, 4%; potassium supplements and ophthalmics, 3%; and oral hypoglycemics and sedatives, 2%.

The winners in the cardiovascular category based on product movement included Tenormin tablets 50mg, ranked fifth this year, up four positions over last year; Lanoxin tablets 0.125mg and 0.25mg, ranked seventh and eighth, respectively, once again bucking readily available generics; and Procardia capsules 10mg, holding onto its 14th position for the second straight year.

There were two new entries to this year's cardiovascular list: Vasotec 5mg tablets, ranked 85th, and Carafate tablets 1 gm., ranked 87th.

Amoxil success story

The big success story among the antibiotics was Beecham's Amoxil products, also doing well in the face of severe generic competition.

Amoxil Suspension 250mg/5ml 100ml continues to climb up the ranking ladder, based on number of units, settling this year into the 15th slot of the top 100 Rx products, up six positions over last year's standings. Amoxil Suspension 125mg/5ml 100ml also exhibited strong gains by climbing into 25th position, up 12 positions over last year. And the story is much the same for Amoxil capsules 250mg. This year the product ranked No. 41 in the fastest moving prescription product listing, compared with No. 32 last year.

Top dollar volume

While the race for first place among therapeutic categories may have been close when based on the number of units dispensed, there was no contest when the ranking was based on dollar volume.

Over one-quarter (27%) of the top 100 Rx drugs based on dollar volume were in the cardiovascular drug category. The next closest category was the antiarthritics (12%), followed by analgesics (9%) and antibiotics (8%).

Among the outstanding cardiovascular performers based on dollar volume were Tenormin 50mg (ranked fifth), Procardia 10mg (ranked sixth), Cardizem tablets 60mg and 30mg (ranked 12th and 23rd, respectively) and Capoten tablets 25mg (ranked 16th).

Motrin still strong

Upjohn captured top honors for having the most products in the top 100 Rx listing based on unit movement. Among the company's winning products were Motrin, Halcion and Xanax, each placing at least two different strengths in the listing.

Despite increasing OTC ibuprofen competition, Upjohn's prescription ibuprofen, Motrin, continued to be strong in prescription product movement.

Motrin 600mg ranked 17th in the top 100 listing, up one position over last year, while Motrin 400mg ranked 33rd, slipping eight positions over 1986 rankings. Motrin 400mg was hurt the most in the ranking because of the availability of 200mg ibuprofen over-the-counter. Consumers can now take two OTC tablets to equal the 400mg dose available on prescription. However, it is not likely that the average consumer will take three tablets at one time; therefore the Motrin 600mg continues to do well in the prescription market.

Continued on page IP27

Significant upward product movement
(10 or more positions)

Name of product	1986 rank	1987 rank	Number of positions upward
Flexeril tabs 10mg	36	26	+10
Lopressor tabs 100mg	78	67	+11
Naprosyn tabs 500mg	56	45	+11
Seldane tabs 30mg	20	9	+11
Amoxil susp. 125mg/5ml 100ml	37	25	+12
Anaprox tabs 275mg	84	72	+12
Amoxil caps 500mg	83	70	+13
Ventolin inhaler refill	50	36	+14
Lo-ovral-28	86	68	+18
Ceclor Pulv 250mg	71	51	+20
Tylenol with cod. #4 tabs	66	46	+20
Provera tabs 10mg	72	49	+23
Captoten tabs 25mg	54	28	+26
Xanax tabs 0.25mg	60	34	+26
Cardizem tabs 30mg	76	48	+28
Maxide tabs	58	29	+29
Tagamet tabs 400mg	97	64	+33
Cardizem tabs 60mg	93	59	+34

Source: *Drug Store News* research

Significant downward product movement
(10 or more positions)

Name of product	1986 rank	1987 rank	Number of positions downward
K-Tabs 750mg	65	76	−11
Lasix tabs 20mg	55	66	−11
Monistat-7 vag w/app 45gm	31	42	−11
Tranxene caps 7.5mg	67	78	−11
Corgard tabs 40mg	73	88	−15
Micro K caps 8meq	35	50	−15
Lo-Ovral 21 pk.	47	63	−16
Percodan tabs	79	97	−18
Restoril caps 30mg	77	98	−21
Valium tabs 10mg	64	86	−22
Reglan tabs 10mg	59	82	−23
Aldomet tabs 250mg	16	40	−24
Ativan tabs 1mg	24	54	−30
Inderal tabs 20mg	27	58	−31
Diabinese tabs 250mg	48	83	−35
Dalmane caps 30mg	38	77	−39
Inderal tabs 40mg	22	62	−40
Inderal tabs 10mg	33	75	−42

Source: *Drug Store News* research

Therapeutic categories with highest percentage in Top 100 listing*

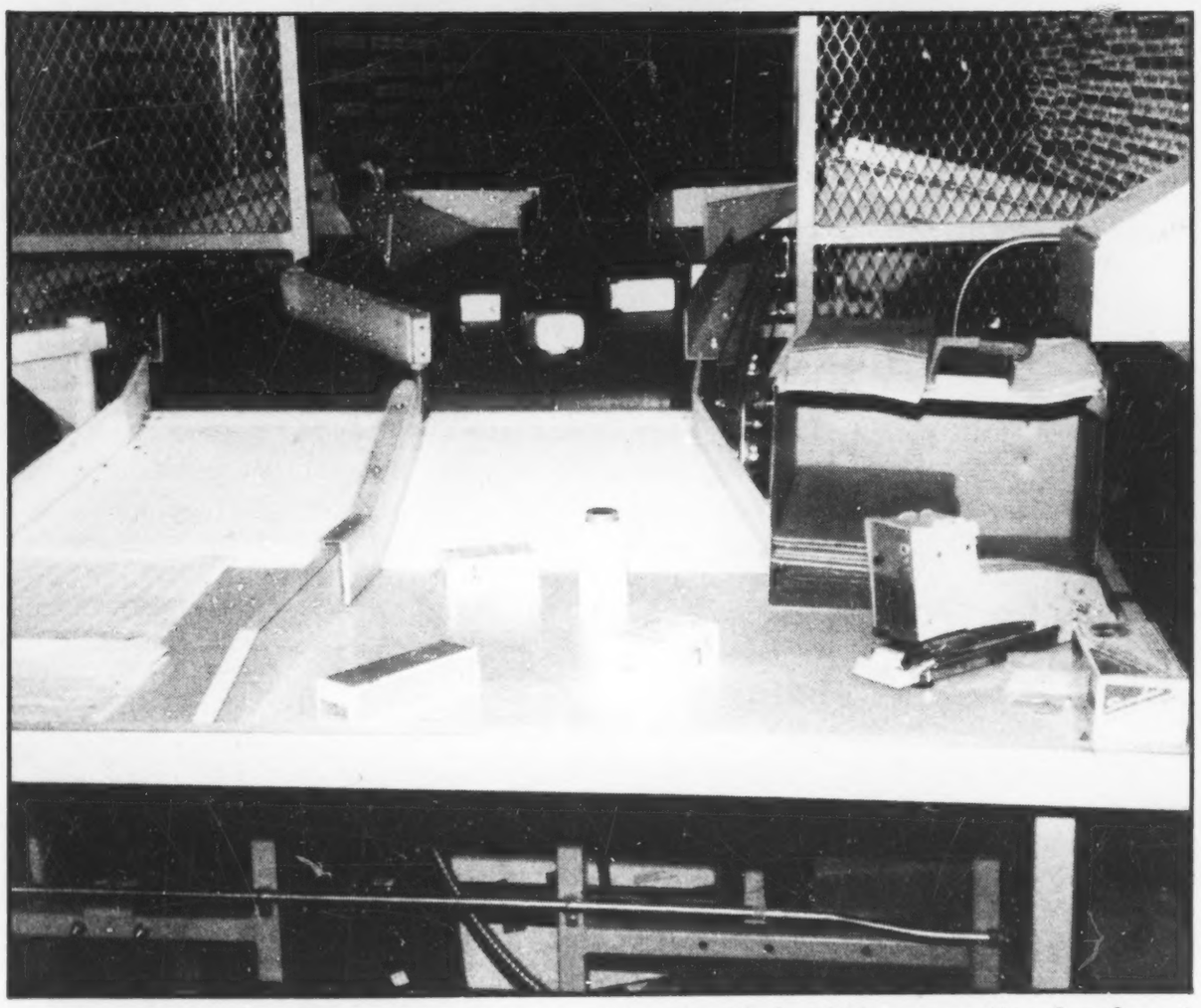
Category	% product top 100 list
Cardiovascular	19%
Antibiotics	13
Analgesics	9
Hormones	8
Tranquilizers	8
Antiarthritics	7
Birth Control	7
Antiulcer	4
Potassium	3
Ophthalmic	3
Oral hypoglycemics	2
Sedatives	2

*Based on number of units
Source: *Drug Store News* research

Companies with highest percentage of Rx products in Top 100 listing*

Company name	% products in Top 100 list
Upjohn	10%
Merck Sharpe & Dohme	7
Ayerst	5
Ortho	5
Parke Davis	4
Hoffman LaRoche	4
Wyeth	4
Beechman	4

*Based on number of units
Source: *Drug Store News* research



Cardiovascular drugs were prescribed most frequently in 1986, accounting for almost one script in five. Antibiotics were next in frequency, followed by analgesics, hormones and tranquilizers, antiarthritics and oral contraceptives. Twelve new products made the top 100 list, among them two triphasic birth control pills.

41 top Rx products move up in unit rank

Continued from page IP26

For the first time this year, a third strength of Motrin found its way to the top 100 listing: Motrin 800mg ranked 30th.

Upjohn also saw two of its tranquilizers make it to the top 100 Rx listing. Halcion tabs 0.5mg and 0.25mg ranked 80th and 56th, respectively, while Xanax 0.5mg and Xanax 0.25mg ranked 19th and 34th, respectively.

All four tranquilizer drugs ranked higher than last year, with Xanax 0.25mg climbing 26 positions over its 1986 ranking.

Other companies worth noting for having a fair number of products in the top 100 listing include: Merck Sharp & Dohme (7% of products in list), Ortho Pharmaceutical and Ayerst (5%), and Parke Davis, Hoffman La Roche, Wyeth and Beecham (4%).

Upward product movement

Forty-one percent of the products that appeared on last year's top 100 Rx product listing moved up in rank in this year's survey, based on number of units.

Highest among them was Cardizem tabs 60mg. Cardizem, which ranked No. 93 last year, moved up 34 positions, to settle in as the 59th fastest moving drug.

SKF's Tagamet tabs 400mg continued to climb despite strong competition from Glaxo's Zantac. Tagamet 400mg climbed 33 positions, staking its claim this year to the 64th spot on the fastest moving prescription list.

However, it should be noted that Tagamet 300mg still goes head to head with Zantac and still maintains a narrow lead in the rankings. That lead appears to be narrowing as Zantac continues to make gains in the ranking. Tagamet 300mg ranked fourth this year, down one notch over last year, while Zantac ranked sixth, up four positions over last year's ranking.

In total, 19 drugs increased their positions in the top 100 listing by 10 or more positions, with nine of them climbing 20 or more positions.

Downward movement

Forty-one drugs fell in their rankings in this year's survey based on number of units. A large percentage in this group succumbed to encroaching generic competition.

One of the heaviest-hit drugs was Ayerst's Inderal tablets. Inderal went off patent in 1984, and since then there have been introductions of generics by all the major generic companies. Although the product continued to be listed among the top 100 fastest moving prescription products, they have been losing ground.

Inderal tablets 10mg fell 42 positions to rank No. 75 this year, compared with No. 33 last year. A similar fate befell Inderal tablets 40mg, dropping 40 positions to rank 62nd among the top 100. And Inderal tablets 20mg also fell to an all-time low, shedding 31 positions to settle at No. 58, compared with its lofty 27th position in the standings last year.

Other hard-hit branded drugs among the fastest moving Rx products: Dalmane capsules 30mg, ranking 77th, down 39 positions; Diabinese tablets 250mg, ranked 83rd, down 35 positions; Wyeth's Ativan 1mg tablets, down 30 positions to rank this year as the 54th fastest moving Rx product; and Aldomet tablets 250mg, ranking No. 40 this year, down 24 positions over last year. Coincidentally, all went off patent in 1984.

Only one birth control pill was reported to be lower this year, Wyeth's Lo-ovral.

This year, 12 new products made the list of the fastest moving prescription products. Among them were two triphasic birth control pills, Ortho Novum 7/7/7-28 pk. and Triphasil-28, ranking 27th and 100th, respectively.

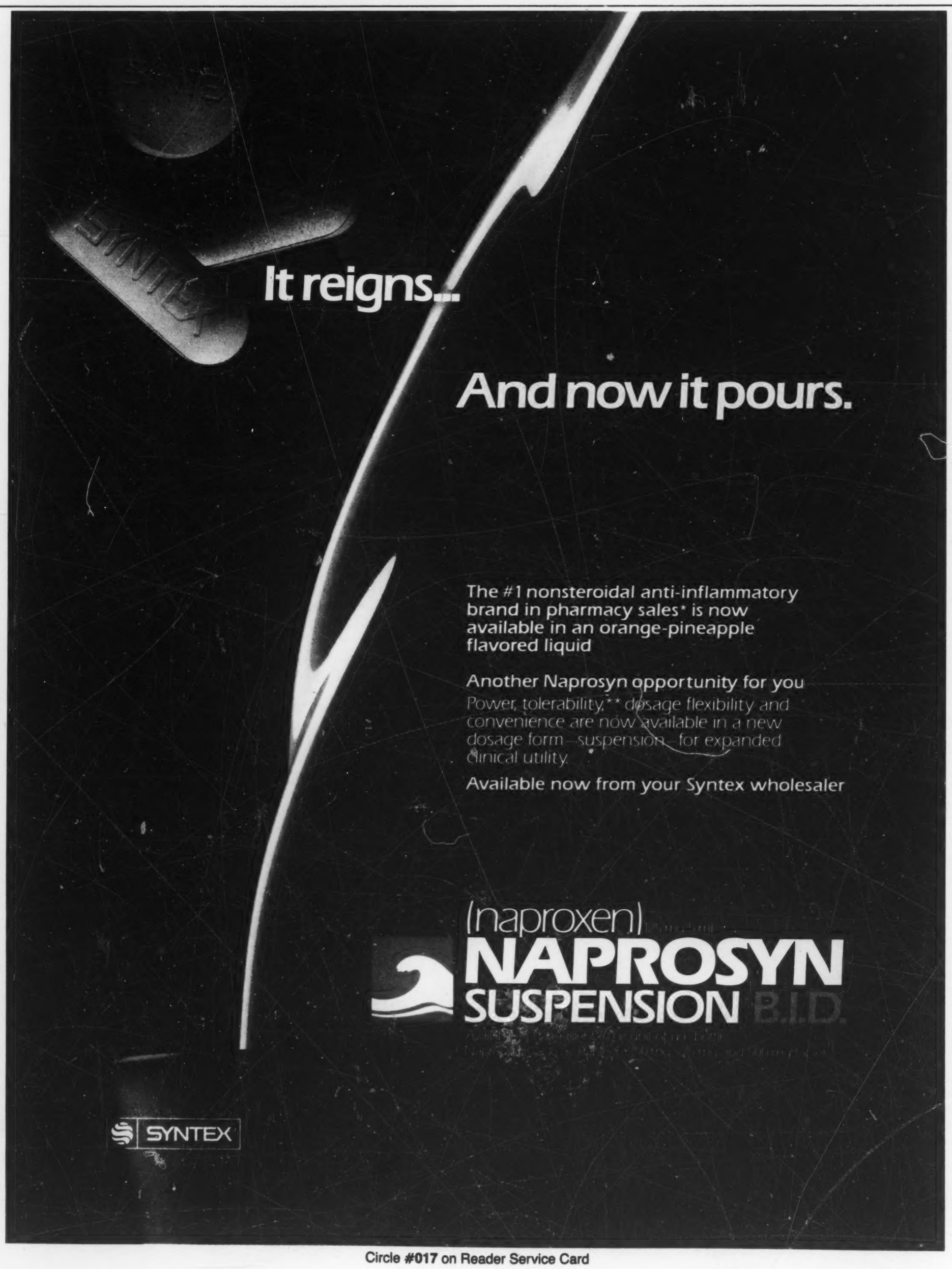
A new direction for insulin users was also evident from the data. This year's list saw the entry of Lo-dose U-100 Insulin Syringes, ranked No. 73, and Humlin N 100U human insulin (10ml), ranked No. 91.

The only drug to treat a condition known as intermittent claudication, Trental, ranked No. 93, and Duricef 500mg was the only new antibiotic to be added to the list, with a ranking of 92.

New products in top 100 Rx listing

Product name	Rank in top 100
Ortho Novum 7/7/7-28 pk.	27
Motrin tablets 800mg	30
Insulin Syr. Lo Dose U100	73
Micronase tabs 5mg	81
Vasotec 5mg tabs	85
Carafate tabs 1gm	87
Humulin N 100U 10ml	91
Duricef caps 500mg	92
Trental tabs 400mg	93
Alupent Syrup	94
Synthroid 0.15mg	96
Triphasil-28	100

Source: *Drug Store News* research


It reigns...
And now it pours.
The #1 nonsteroidal anti-inflammatory brand in pharmacy sales* is now available in an orange-pineapple flavored liquid
Another Naprosyn opportunity for you
Power, tolerability,** dosage flexibility and convenience are now available in a new dosage form—suspension—for expanded clinical utility.
Available now from your Syntex wholesaler
(naproxen)
NAPROSYN SUSPENSION B.I.D.
SYNTEX

Circle #017 on Reader Service Card

"Every retailer is on the look-out for something like it" H.H., NY

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #008 on Reader Service Card

6/5/87 C5150-2

Gladson planograming: *Higher-potency antacids get more space—p. 24*

Trends: *Retailers enhance audio/video image—p. 11*

Pharmacy:
00269340
KEVIN KENDRICK
CONGRESSIONAL INFO SVC IGR
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814

DRUG STORE NEWS

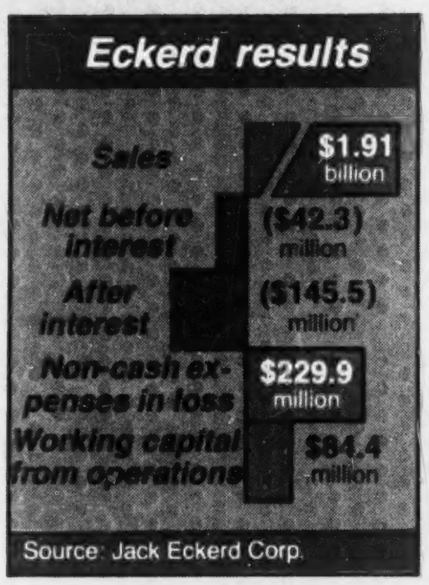
Vol. 9/No. 12 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. June 8, 1987

Eckerd earnings goals on target post-LBO

CLEARWATER, Fla. — Eckerd Corp. is meeting its earnings target nine months into its leveraged buyout, helped by strong prescription sales growth and cost cuts, the chain said in an annual report.

Gross profit gains offset soft sales to create enough cash flow to cover interest expenses, with a balance left for future principal repayments and capital investments. It reported performance for nine months following the April 30, 1986 LBO, for the period ended Jan. 31, the end of its rescheduled fiscal year.

See related story, page 3



Chairman and president Stewart Turley said the results also stem from "a noticeable improvement in morale throughout the company" that has built momentum since the buyout.

Earnings would have more than doubled from last year's comparable nine-month period, if the company had stayed public. Earnings would have been $132.3 million before inter-

See **Eckerd,** *page 33*

Longs tightens profit focus, will fit product mix to market

By Jim Frederick

WALNUT CREEK, Calif. — Longs Drug Stores will focus more sharply on profitability in the coming year, closing or selling some underperforming stores and remodeling others, Longs officers told shareholders at the company's annual meeting here May 19.

"We will continue our ongoing review of store operations, evaluating each store," said executive vp Dick Scott. "Changes will be made."

See related story, page 33

> 'Our overriding concern and objective is to preserve our decentralized way of doing things.'
>
> **—Bob Long**
> *president, Longs Drug Stores*

Those changes will include not only the sale or closing of some units, Scott noted, but also a stepped-up program of store remodeling and the closer adaptation of Longs' merchandise mix to individual markets, based on store-level input. The chain will also open 12 to 13 new stores this year, on top of 15 new units in fiscal 1987. As was the case last year, most of the new units will be in California, with Colorado also slated for a stronger Longs presence.

In addition, Longs will continue to shrink its store prototype to fit the site requirements of certain markets and lower development and expansion costs. Longs stores opened in the last five years are averaging 25,000 square feet (about 17,000 selling), but range in size from about 15,000 to 40,000 square feet.

Resurgent earnings

Longs' tighter profit focus comes at a time of resurgent earnings, with net income up for the second quarter in a row

See **Longs,** *page 33*

Fay's lays plans to bolster fiscal upswing

SYRACUSE, N.Y. — Fay's Drug Company's vigorous fourth-quarter rebound continued in the first quarter, although with somewhat less force.

Net earnings were only $81,000, or 1 cent a share, for the period ended April 30. In the same period last year, however, the company reported a loss of $1.1 million, or 8 cents a share.

Sales for the period increased to $110.6 million from $106.3 million a year earlier.

Henry A. Panasci Jr., chairman, president and ceo, noted that over the most recent four quarters, net income amounted to 38 cents a share, compared with 7 cents a share in the previous four quarters.

"Although results of the last four quarters are encouraging," Panasci told shareholders at the company's annual meeting here, "I'd be less than candid if I said that any member of Fay's management team or Board of Directors is satisfied. We realize that we are a long way from fulfilling our goals in terms of profitability."

Goals achievable

Panasci said, however, that the company's "momentum" and increasing rate of return on its "substantial investment" in stores and operational facilities had convinced him that the goals would be achieved. Operational facilities include a 298,000-square-foot addition to its distribution center opened last summer.

Panasci outlined other plans the company has for the new fiscal year, including:

- **A test of point-of-sale scanning.** The chain will begin its POS test in "a limited number of stores" this summer and fall. Daniel O'Leary, vp-finance and cfo, told *Drug Store News* that the company was looking at a number of systems, but none had been selected yet.
- **The addition of advertising vehicles.** Panasci would not

See **Fay's,** *page 34*

McKesson shortens its report

SAN FRANCISCO — McKesson will apparently be the first corporation to issue a shortened annual report sanctioned by the SEC.

The new "summary report" will allow McKesson to produce a more readable and informative annual message to shareholders and cut its costs by 25%, according to Marvin Krasnansky, vp-corporate relations.

This year's version, due to hit the streets June 10, will be 23 pages, about half the traditional size, with the exclusion of two pages of consolidated financial data and 10 other pages of financial "notes." Most shareholders don't read or understand this information anyway, a McKesson spokeswoman said. "We've even had some of our financial analysts tell us they don't read all this stuff," she added.

Shareholders will now

See **McKesson,** *page 33*

LATE NEWS

- PONTIAC, Mich. — Perry Drug Stores reported a $4.8 million net loss in the second quarter ended April 30, compared with $1.1 million earnings a year earlier. Sales rose from $147 million to $167 million. The company said drug stores had a weak Easter, and auto parts sales were soft.
- ST. LOUIS — Medicare-Glaser Corp. reported $653,000 in net income for the year ended March 31, following last year's loss of $623,000. Sales for the year increased to $93.5 million from $85.5 million.
- TROY, Mich. — Pay Less Drug Stores NW will more than double in size and be a 500-unit drug chain by 1991, K mart chairman Bernard Fauber told shareholders at the company's annual meeting here May 26. Fauber predicted the Pay Less division "will soon become the most prominent super drug store chain on the West Coast."

SGC growth cut likely as Dart tenders shares

WOODBRIDGE, N.J. — A debt-burdened Supermarkets General Corp. faces a sharp cut to its capital growth program after a management buyout parried a takeover attempt by the Dart Group, in the view of some analysts.

Dart, meanwhile, added an estimated $40 million to its treasure chest by tendering to the buyout group a 4.9% stake it had used to launch its takeover in March. It was selling shares it had purchased at prices in the mid to high 20s for $46.50 each, the value analysts put on the offer by the management group and Merrill Lynch Capital Partners.

SGC could be forced to halve its capital budget, while raising margins in some markets where it had been the price leader. It had forecast a $220 million capital budget for 1987, which was expected to support its drive into new markets in Virginia and North Carolina.

"There's no way they're going to do that," said Wood Gundy analyst Edward Comeau, regarding the spending level.

Cost curb plan needed

"They can pay $75 million to $125 million, if they're really pushing it," Comeau estimated.

See **SGC,** *page 34*

NEWS IN BRIEF

Rite Aid sets Condor software plans

SHIREMANSTOWN, Pa. — Rite Aid is limiting its use of Condor pharmacy software to SupeRx stores acquired recently in Florida and will follow that with installations in Gray Drug stores in that state.

Beyond that, Rite Aid has made no decision and announced no plans, executive vp Martin Grass told *Drug Store News* through a spokesman. He hasn't ruled out expanded use of Condor programs, but denied published accounts that Rite Aid has committed to replace SASI (Store Automated Systems Inc.) Rx software chainwide.

Father-son team produces Cartwheels

ATLANTA — Ike Anzaroot, the founder of Malone and Hyde's Ike's deep discount division, has returned to the retailing fray.

Anzaroot has teamed with his son, Gary, to open a deep discount store, named Cartwheels, in a Cobb County mall. The pair launched the venture last year, after Anzaroot senior retired from M&H.

The team plans to add a pharmacy to the unit's 28,000 square feet of selling space, which has taken the Ike's concept and expanded sections in cosmetics, general merchandise and food.

Gary Anzaroot said they plan to add more stores.

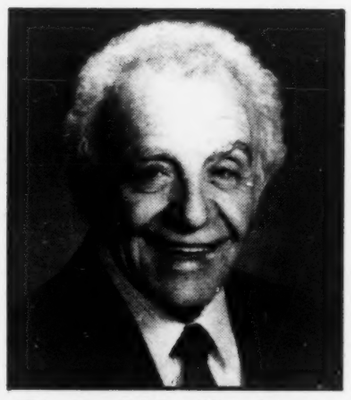
Interstate Cigar names Aaronson ceo

Lawrence C. Aaronson

WESTBURY, N.Y. — Interstate Cigar Co., the $200 million (annual sales) parent of nine store Austin Drugs, has named Lawrence C. Aaronson, 55, as president and ceo. He succeeds Sidney Spielfogel, who was elevated to chairman.

Aaronson had been consulting for Interstate the past seven years, and served earlier as vp-sales and business development at Abbott Laboratories consumer products division, and vp-sales and marketing at Revlon's Thayer Knomark division.

NACDS honors Reginald LaVerdiere



Reginald LaVerdiere

PALM BEACH, Fla. — Reginald LaVerdiere, vice chairman and ceo of LaVerdiere's Super Drug Stores, was given the 1987 NACDS Robert B. Begley Award at the association's annual meeting.

The award is presented each year to the member with "qualities of gentleness, humility and service as best personified by the late, former NACDS chairman," the trade group said.

LaVerdiere, an NACDS board member since 1982, is also on the advisory committee of Affiliated Drug Stores, serves on the editorial board of *The Apothecary* and is on the board of the Maine State Chamber of Commerce.

INDEX

Beauty Beat	14
Cosmetics: Category in Motion	15
Editorial	6
Financial	34
Gladson: Planograming by Performance	24
People in the News	8
Pharmacy	21
Product Update	18
Rx/OTC product update	32
Shulman: Technology Today	16
Trends	11

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1987 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 12 June 8, 1987

Arbor named one of Mich. top 5 public companies

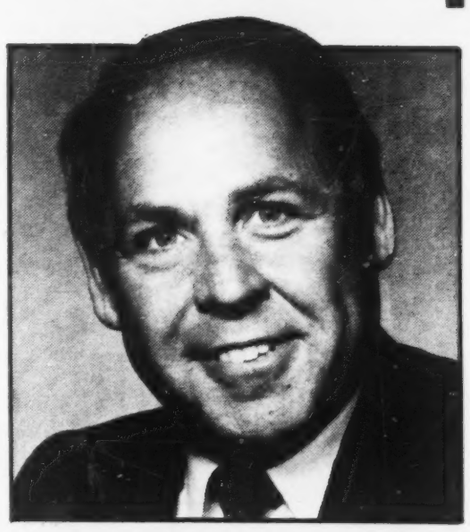
TROY, Mich. — Arbor Drugs was recently given a second reason to celebrate its first birthday as a public company.

The 73-store chain was one of five finalists competing for the title of Michigan Company of the Year. Ford Motor Co. won the contest, run by the *Detroit Free Press*. Final judging by six prominent executives and business school deans within the state followed nominations of 150 publicly held companies based in Michigan.

Arbor, a high-performance regional operator, reached the finals based on "financial performance, growth in Michigan employment, employee relations and corporate social responsibility," the newspaper wrote in its May 18 issue.

Doubled volume

Indeed, Arbor has more than doubled volume from $73.5 million in fiscal 1983 to $151.5 million in fiscal 1986.



Arbor chairman and president Eugene Applebaum has developed the chain into one of the strongest regionals.

During that period, net earnings more than tripled, from $1.4 million to $5.4 million. Since then, Arbor has absorbed 17 of 19 Sentry stores it acquired last year and made a great geographic leap by opening stores in Charlotte, N.C., and Myrtle Beach, S.C.

Chairman Eugene Applebaum said he expects to be operating 85 stores by the end of calendar 1987. Existing Arbor stores produce average sales per square foot of $339, far exceeding the industry average, and turn inventory 6.4 times.

The newspaper panel noted Arbor's growth as an employer in the state, from 1,000 workers in 1982 to 2,300 currently.

Corporate citizenship

Moreover, Arbor demonstrated its corporate citizenship with such programs as free colon cancer testing, contributing to Children's Hospital, helping to train resident pharmacists with Wayne State University and maintaining a Pharmacist Speakers Bureau to address community groups.

Other finalists were NBD Bancorp, the state's largest bank holding company; cereal maker Kellogg Co.; and J.P. Industries, which manufactures transportation components and plumbing products.

Chain promotions threatened by FTC co-op ad policy reversal

WASHINGTON — In a move certain to chill drug chain price promotions, the FTC opened the door for suppliers to withhold co-op ad allowances from retailers who advertise discount prices.

The Federal Trade Commission move abruptly discontinued an earlier enforcement policy that barred suppliers from this practice. At the same time, the commission rescinded a 1979 antitrust order that prevented a major auditing firm (the Advertising Checking Bureau) from designing or administering co-op ad programs that discriminate against price-cutting retailers.

Both that order and the 7-year-old FTC enforcement policy were originally adopted during the Carter Administration as part of a commission campaign to "stamp out the remaining vestiges of Fair Trade." At that time, FTCers justified the policy as necessary to prevent manufacturers from engaging in thinly veiled resale price maintenance (RPM) conspiracies against price-competitive retail chains.

'Not per se unlawful'

In reversing course late last month, the commission said that such restrictions on discount advertising may actually foster competition in the marketplace.

"The commission now concludes that price restrictions in cooperative advertising programs, standing alone, are not per se [automatically] unlawful" under the federal antitrust laws, the FTC said in a statement announcing the change.

"Such programs do not establish the existence of an agreement on price between a supplier and a dealer and do not necessarily affect the resale prices of dealers," the agency reasoned.

Like other "vertical" restraints of trade imposed by manufacturers on retailers, anti-discounter "cooperative advertising programs may provide competitive benefits, or they may be competitively neutral," the FTC concluded.

The decision to permit manufacturers and co-op ad program auditing firms to withhold rebates from retailers who discount may be only the first in a series of key shifts in FTC co-op advertising policy this year.

The commission is also reviewing other long-standing rules designed to prevent manufacturers from using co-op ad programs to discriminate against independent druggists and other small retailers.

Under the existing policy, manufacturer advertising rebates and other forms of promotional assistance must be made available to all competing retailers "on proportionately equal terms"—a rule adopted to prevent chains and other large retailers from securing discriminatory treatment from suppliers in violation of the Robinson-Patman anti-price discrimination law.

At least one top FTC official—commissioner Terry Calvani—has openly proposed relaxing that policy, while commission chairman Daniel Oliver is advocating outright repeal of Robinson-Patman.

Bureau requests relief

The decision permitting manufacturers to deny co-op ad reimbursement for discount price advertising resulted from a petition earlier this year by the Advertising Checking Bureau to rescind a 1979 order barring that company from administering such programs.

> *'The commission now concludes that price restrictions in cooperative advertising programs, standing alone, are not per se unlawful.'*
>
> **—Federal Trade Commission**

In requesting relief from the antitrust order, the bureau argued that manufacturers have a legitimate right to discourage "loss leader" advertising of their products, and that the restrictions placed ACB at a competitive disadvantage in relation to other auditing firms that are not prohibited from administering discriminatory co-op ad programs.

In granting that request, the FTC said, "There is no evidence that price restrictive cooperative advertising programs, standing alone, are sufficiently likely to be harmful that a flat ban. . .is appropriate."

Although restrictions on allowances for discount ads "may in some cases reduce a dealer's incentive to cut prices, the restraints do not prevent the dealer from selling at discount prices or even from advertising discount prices at the dealer's own expense," the FTC said.

"Moreover," the agency added, "price-restrictive cooperative advertising programs are likely to be procompetitive or at least competitively neutral in most cases."

TRENDS

Chains test possibilities of rentals

Video rentals can add to the total entertainment merchandising effort at chains.

While Rite Aid and Wellby are among drug chains with established rental programs, others are just beginning to explore the area.

Pay 'n Save, for instance, is currently testing a video rental program in two stores, which "seems to be working very well," according to Ron Fleisher, senior vp-merchandising.

Ads serve 2 stores

Fleisher said both test stores are in the same market, so the company can run ads in just one newspaper to promote the 99 cent tapes. Pay 'n Save bought the 4,000 per store tape selection, Fleisher said, and they also brought in some additional personnel to handle the rentals.

In both instances, the selection is merchandised with the blank and prerecorded audio/video store offering, and the rental process is handled at the photo counter area.

Genovese is also testing the video rental program in two of its stores, and is "really analyzing it," according to buyer Lenny Genovese.

Retailers seek fuller audio/video image

There is a visible move at drug chains to create more complete audio and video merchandising centers. Retailers told *Drug Store News* they are adding prerecorded audio and video cassettes to established assortments of blank tapes.

They are finding that even broad brand selections of blank tapes alone aren't enough to satisfy all their customers today.

At Eckerd, for instance, audio and video tapes are merchandised together, in both blank and prerecorded media. According to a company spokesman, the prerecorded tapes "are doing very well for us as an overall category."

The success of the prerecorded products, however, revolves around careful buying and constant updating, according to Eckerd. Although customers don't mind repurchasing the same blank tapes, prerecorded merchandise needs variety and change. To keep up with these needs, Eckerd said it rotates its inventory four to five times a year.

Tailoring to store

The only difficulty Eckerd said it has found in stocking the prerecorded merchandise is trying to tailor it to each individual store within the chain. Because of demographic differences, each store now orders the prerecorded cassettes separately, while a combined service effort between the corporate office and rack jobbers helps cover the stores periodically to see if there are any problems. Noted the company, "It is doing very well, but we're still trying to fine-tune better ways to manage the inventory."

Although Genovese does not yet have a regular section for its prerecorded videos, buyer Lenny Genovese said the chain will make room for the category the first of next year. Currently, "We're in the process of buying some promotions," such as the Classic Disney tapes, which retail at $14.95, he said.

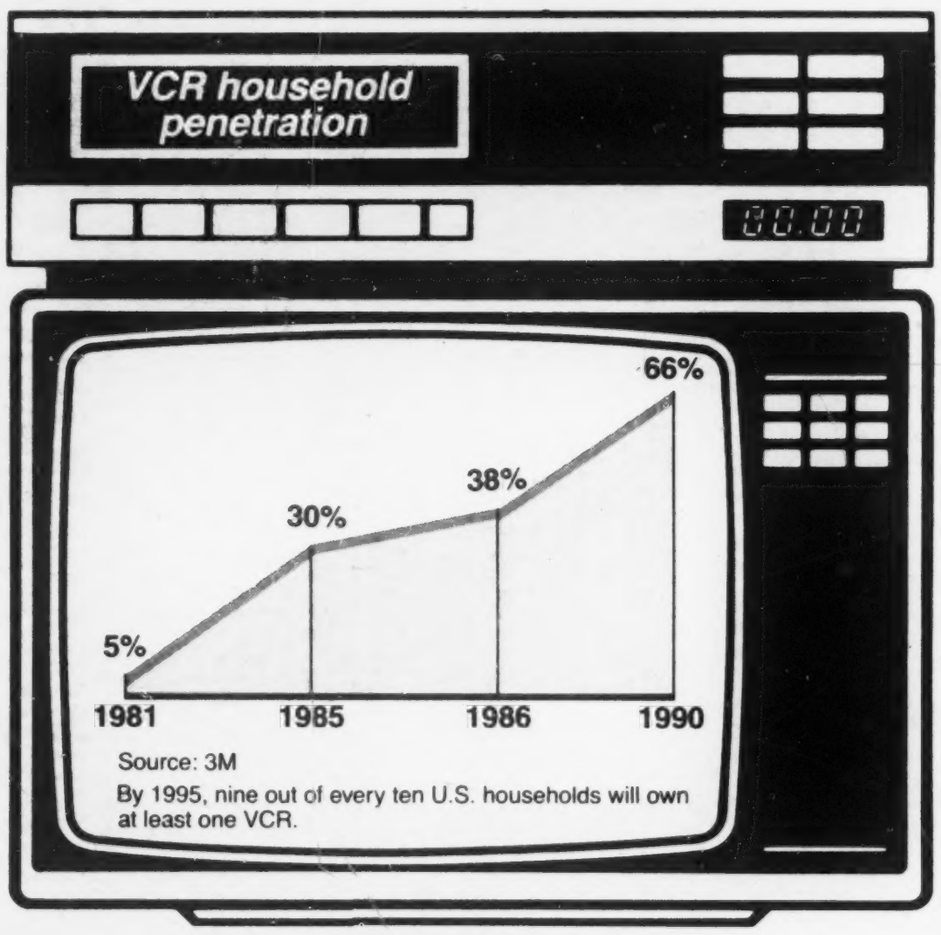
Marketed in a full-color 48-piece display area, the selection will soon be carried in all 83 stores, typically located in a high-traffic area up front and near the blank video selection, Genovese said.

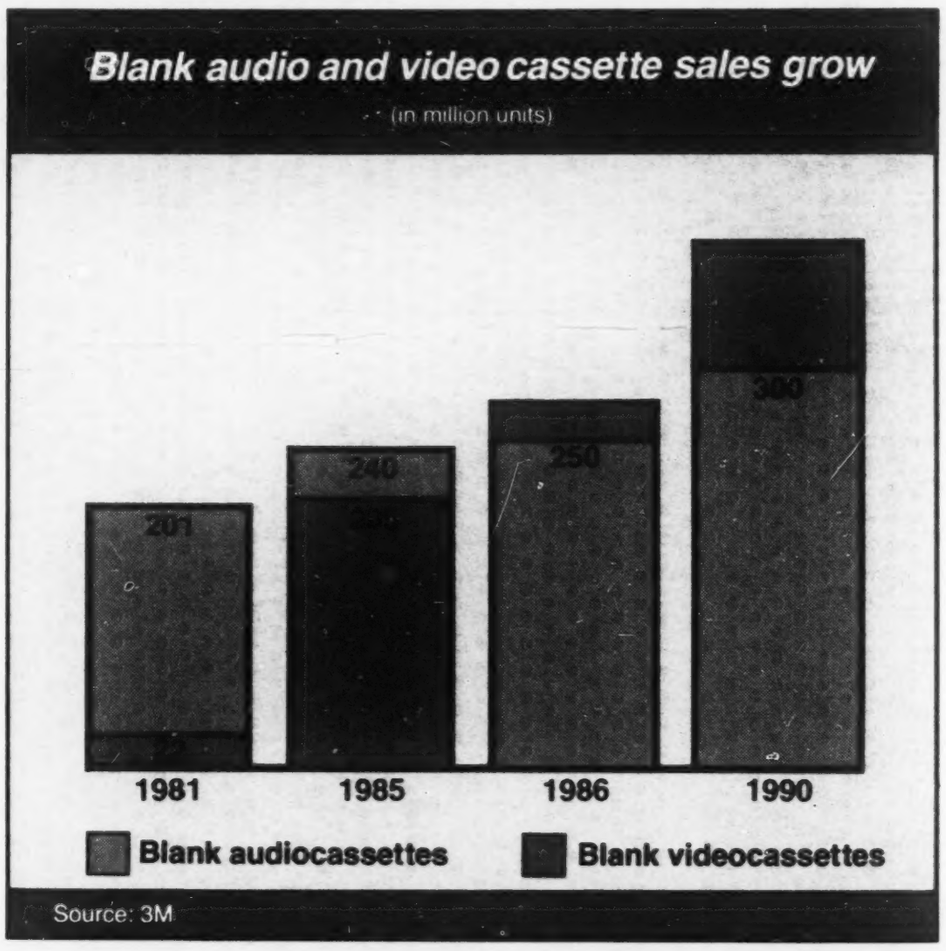
The chain is also carrying Lorimar's Shades of Love romance novels on videos, and some of the popular exercise tapes. Genovese said Peanuts videos were also considered by the chain, but since the timing coincided with the Disney offering, and because space is limited, the stores will only carry Disney.

Read-along books

Like the Disney videos, read-along books and audio cassettes for children have found their way into drug stores.

Continued on page 12





Battery sales charging ahead

Chain drug store buyers are bracing for another positive jolt from their battery programs.

With sales fueled by the growth of battery-operated devices and by the continuing war among the leading vendors, buyers have found they can make the profit connection using different approaches in assortment, display and promotion.

Vendors expect continued double-digit growth in retail sales, after they hit $2.5 billion in 1986.

Chains such as Rix Dunnington and Genovese build sales by promoting the major brands: Eveready, Duracell, Rayovac and Kodak. They feel private label lacks potential, since brand awareness among the leading vendors is so high because of their heavy advertising and promotions, buyers said.

Rix Dunnington decided to limit its assortment to Eveready, Duracell and Kodak, after trying second-tier brands that it almost had to give away due to lack of demand, said chain buyer Jay Weiner.

'Just growing and growing'

"Our battery sales are just growing and growing," said Weiner, who has picked up five Kodak sku's, but will avoid its newly available 9-volt lithium, since "the retail is out of whack for our stores."

Weiner said his promotion of Duracell's $1 rebate (with a C or D size two-pack at $1.79, before rebate) helped spur sales both of Duracell and Eveready's bonus packs, which Rix didn't promote.

To counter shrinkage, Rix always kept batteries behind or close to the front counter. Weiner said this year he wants to create a 4- to 8-foot in-line section, to make them self-service.

Private label

Not all chains are avoiding private label. Walgreens, for instance, regularly advertises a private label 12-pack.

While Genovese doesn't see a need for private label, it is able to hit a price point at 30% below branded and maintain its margin by buying Duracell on the gray market, according to buyer Lenny Genovese.

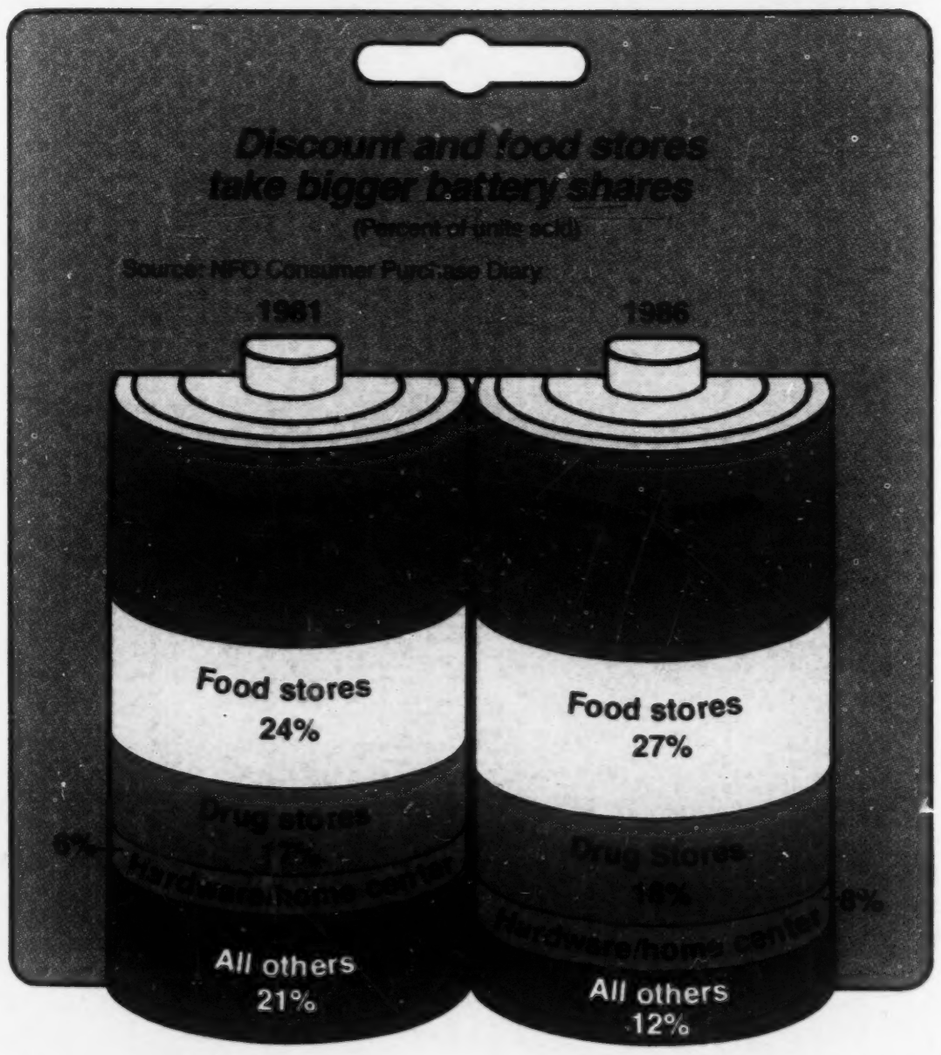
Last year, Genovese bought $800,000 in Duracell gray goods. The gray market Duracells, with Eveready and Kodak, make up its everyday 8- to 12-foot in-line display. It can sell a gray market double AA four-pack at $1.79, "which is Duracell (U.S.A.)'s sheet price," Genovese noted.

The chain bought an additional $800,000 in Duracell cells from Duracell U.S.A., after the vendor came in with a $1.50 rebate and heavy advertising that Genovese didn't want to miss. It put prepacks in each store for in-and-out promotions.

'Can't stop it'

"They don't like it, but they can't stop it," said Genovese, about the gray goods. "They understand the problem."

Fueling sales as well as profit dollars this year will be price hikes by Eveready and Duracell, which buyers said they will pass on to the consumer, adding 20 cents to 30 cents to the average ticket.



Video vending companies eye drug store business

Two video vending companies think they have an answer for retail drug operators who want the traffic benefits of video rentals without investing heavily in inventory or floor space.

Vend-a-video and the American Movie Machine both work mostly with grocery chains, but their services might also be applicable to drug stores.

Vend-a-video enables stores either to purchase machines or lease space to Vend-a-video, while reaping a percentage of the rental profits, according to Bruce Kociemba, vp-marketing and sales for the company. Kociemba said a retailer can either run its own operation or work with Vend-a-video and a third-party video supplier. In both cases, Kociemba said his company takes care of the maintenance of the machine and the rotation of the inventory.

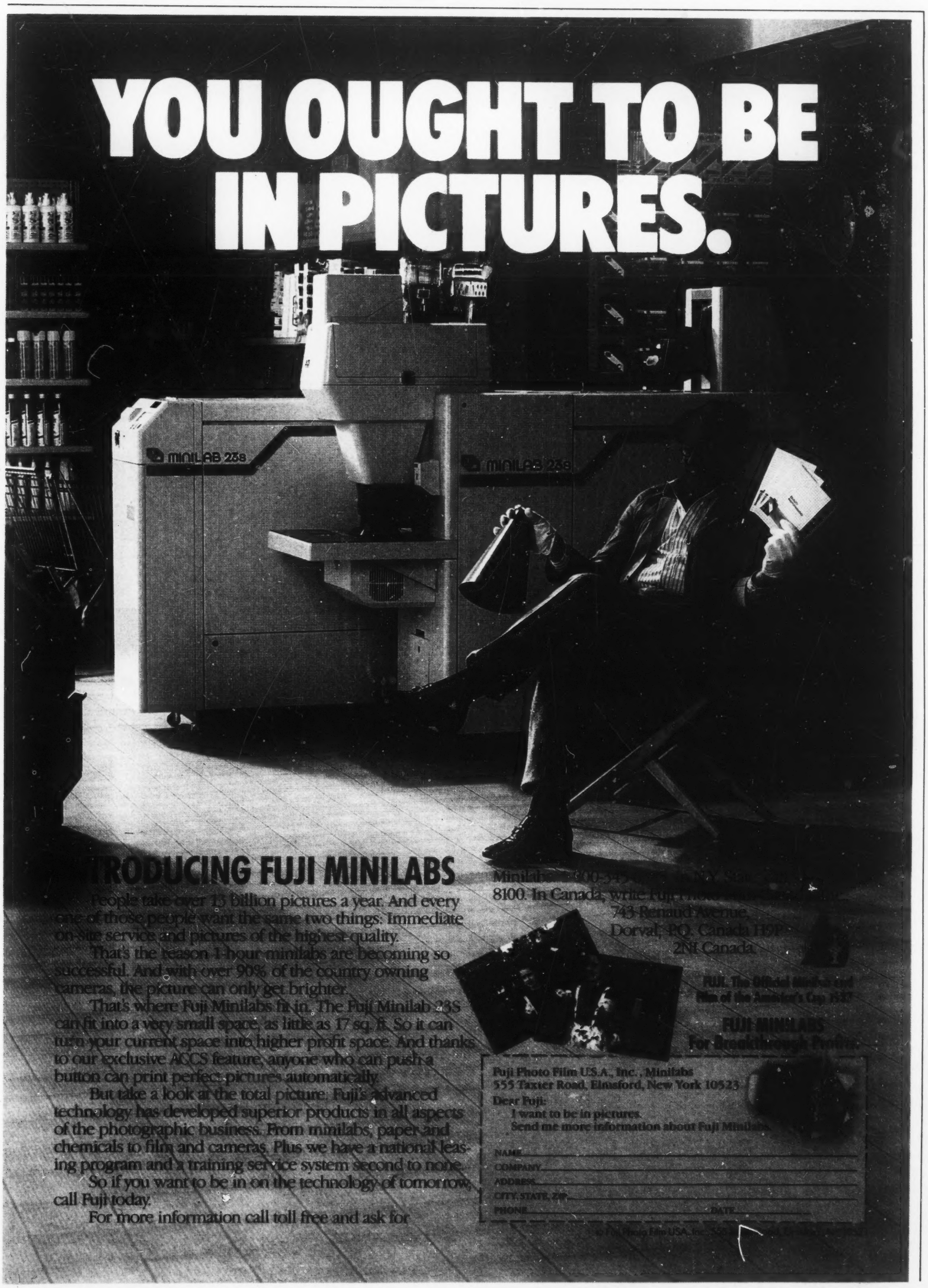
The Movie Machine Corp., offering the American Movie Machine, is currently discussing its system with several drug chains. Its main target is the grocery industry.

Working on a similar computerized structure, the Movie Machine also enables customers to rent videos without the help of store personnel. Unlike the Vend-a-video, where only a portion of the movie boxes are shown on display outside the machine, the Movie Machine allows customers to see all the selections and pick up and read story descriptions and star listings.

Because of the relative newness of the video vending machines, the drug store industry is currently taking a cautious approach.

"I think they need more developing," noted Charles Friedman, buyer for Associated Chain Drug Stores. Friedman, who said he saw several models earlier this year, said if the stocking and running of the machines can be worked out sufficiently, then "it might be a money saver."

Lenny Genovese, buyer for Genovese Drugs, said the chain "tested them (similar machines) before, and there really weren't enough titles." He said they are studying the new machines, however.


YOU OUGHT TO BE IN PICTURES.
MINILAB 23S
MINILAB 23S
TRODUCING FUJI MINILABS
People take over 13 billion pictures a year. And every one of those people want the same two things: Immediate on-site service and pictures of the highest quality.
That's the reason 1-hour minilabs are becoming so successful. And with over 90% of the country owning cameras, the picture can only get brighter.
That's where Fuji Minilabs fit in. The Fuji Minilab 23S can fit into a very small space, as little as 17 sq. ft. So it can turn your current space into higher profit space. And thanks to our exclusive ACCS feature, anyone who can push a button can print perfect pictures automatically.
But take a look at the total picture. Fuji's advanced technology has developed superior products in all aspects of the photographic business. From minilabs, paper and chemicals to film and cameras. Plus we have a national leasing program and a training service system second to none.
So if you want to be in on the technology of tomorrow, call Fuji today.
For more information call toll free and ask for
Minilab
8100. In Canada, write:
743 Renaud Avenue,
Dorval, P.Q. Canada H9P
2N1 Canada
FUJI. The Official Minilab and Film of the America's Cup 1987
FUJI MINILABS
For Breakthrough Profits.
Fuji Photo Film U.S.A., Inc., Minilabs
555 Taxter Road, Elmsford, New York 10523
Dear Fuji:
I want to be in pictures.
Send me more information about Fuji Minilabs.
NAME
COMPANY
ADDRESS
CITY, STATE, ZIP
PHONE
DATE

Retailers broaden audio/video image

(Continued from page 11)

Although he is not prepared to run the read-along books all the time, buyer Genovese said he is looking at a few of the programs. One concern with the read-alongs, he said is finding the manufacturer with the right titles. "You have to be very selective."

These cassettes could be merchandised in either the audio/video section or in the toy area, noted Genovese.

Buyer Charles Friedman, of Associated Chain Drug Stores, agreed that the read-along books and cassettes could "very well develop for children," and, he noted, the costs keep coming down.

Prerecorded audio cassettes—typically self-help, language and books on tape—are also finding appeal with the age 18 and older crowd, according to drug stores and vendors.

"We are looking at a major expansion in the drug industry" with the prerecorded tapes, especially since the public has already become familiar with the product through bookstore distribution, explained Phil Levin, executive vp with Metacom Inc., an audio publishing company.

Levin said most of the drug stores his firm deals with turn the merchandise four to six times a year on a base of 75 units. Seasonal promotions help move the $3.98 to $9.98 merchandise through the stores.

During baseball's spring fever, old radio stints such as the Who's on First Abbott and Costello monologue are promoted.

Blank tapes integral

Blank audio and video cassettes are still an integral part of drug stores, many of whom said they try to keep a varied selection of the major brands.

Genovese handles 8-12 feet of blank audio and videotapes, while Pay 'n Save does "an extensive program in blank media, using all brand names in both audio and video," according to Ron Fleisher, senior vp-merchandising.

The entire Pay 'n Save audio and video selection is merchandised in one location, taking 20-24 feet. Although Fleisher said the chain is selling some prerecorded merchandise, the "real scores for us have been in the blank videotapes."